

*Steel bargaining: The 57 crucial days*

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# BUSINESS WEEK

A MCGRAW-HILL PUBLICATION

FIFTY CENTS

MAY 2, 1959



Lyndon B. Johnson guides a cagy Congress down the road to 1960.  
(Government)

STEVEN RICE  
UNIVERSITY MICROFILMS  
313 N 1ST ST  
ANN ARBOR MICH 48106



Photo courtesy Ohio Rubber Company, Willoughby, Ohio, a Division of The Eagle-Picher Company.

## How's this for a surefire success?

**This thimble-size shield** works inside an automobile engine. It clings to a pulsing valve stem, prevents excessive loss of engine oil—yet allows enough oil to properly lubricate the stem. Obviously, a tough job for a tiny part.

**To do this critical job**, rubber seemed the likely choice. But it would have to be a very special kind of rubber. It would have to withstand constant contact with oil, intense vibration and compression, wide temperature extremes and great tension.

**Material selected:** CHEMIGUM, the synthetic rubber

that maintains its dimensional stability under blistering-hot oil attack and the most demanding conditions. Hundreds of thousands of these valve stem shields are now in use—meeting every operational requirement. And the constant uniformity plus the easy processability of CHEMIGUM make their production practical and profitable.

**What can CHEMIGUM do** for your product? For full details and technical assistance on CHEMIGUM—and a complete line of rubber chemicals and synthetic rubbers—write Goodyear, Chemical Division, Dept. E-9415, Akron 16, Ohio.



# GOOD YEAR

## CHEMICAL DIVISION

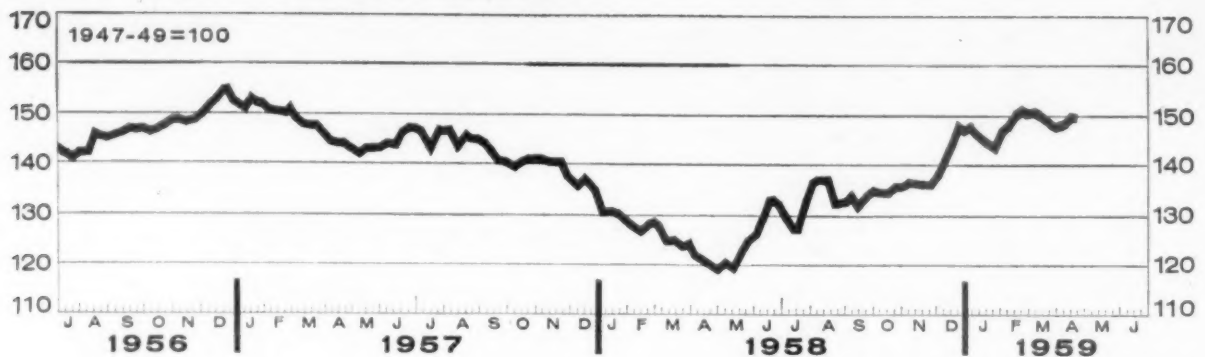
Chemigum—T. M. The Goodyear Tire & Rubber Company, Akron, Ohio

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# FIGURES of the WEEK



## BUSINESS WEEK INDEX (chart) . . . . .

1946 Average	Year Ago	Month Ago	Week Ago	\$ Latest Week
91.6	120.0	149.9	†150.6	*150.2

## PRODUCTION

Steel ingot (thous. of tons).....	1,281	1,289	2,638	†2,646	2,674
Automobiles and trucks.....	62,880	83,823	155,171	†172,715	170,163
Engineering const. awards (Eng. News-Rec. 4-wk. daily av. in thous.).....	\$17,083	\$61,268	\$60,814	\$62,237	\$65,265
Electric power (millions of kilowatt-hours).....	4,238	11,206	12,709	12,609	12,538
Crude oil and condensate (daily av., thous. of bbls.).....	4,751	6,288	7,193	7,133	7,132
Bituminous coal (daily av., thous. of tons).....	1,745	1,180	1,323	†1,331	1,343
Paperboard (tons).....	167,269	236,328	318,345	323,387	304,464

## TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	83	55	62	64	65
Carloadings: all others (daily av., thous. of cars).....	53	34	38	39	41
Department store sales index (1947-49 = 100, not seasonally adjusted).....	90	125	137	130	132
Business failures (Dun & Bradstreet, number).....	22	329	297	304	300

## PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	389.7	390.8	391.9	390.7
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	††73.2	80.3	91.1	90.9	91.6
Foodstuffs, daily index (BLS, 1947-49 = 100).....	††75.4	89.8	80.9	81.3	81.9
Print cloth (spot and nearby, yd.).....	17.5¢	17.1¢	18.6¢	18.7¢	18.7¢
Finished steel, index (BLS, 1947-49 = 100).....	††76.4	181.6	186.7	186.7	186.7
Scrap steel composite (Iron Age, ton).....	\$20.27	\$31.83	\$37.83	\$34.83	\$33.83
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	24.565¢	31.815¢	31.615¢	31.630¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.22	\$2.09	\$2.10	\$2.06
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	34.65¢	34.47¢	34.58¢	34.61¢
Wool tops (Boston, lb.).....	\$1.51	\$1.65	\$1.65	\$1.76	\$1.82

## FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).....	17.08	43.23	55.59	57.87	57.86
Medium grade corporate bond yield (Baa issues, Moody's).....	3.05%	4.66%	4.83%	4.86%	4.90%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).....	¾-1%	1¾%	3%	3%	3½%

## BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.....	††45,820	56,361	56,628	57,793	57,858
Total loans and investments, reporting member banks.....	††71,916	92,052	93,631	95,526	94,917
Commercial and agricultural loans, reporting member banks.....	††9,299	30,252	31,170	31,275	31,229
U. S. gov't guaranteed obligations held, reporting member banks.....	††49,879	30,107	29,365	30,091	29,640
Total federal reserve credit outstanding.....	23,888	24,854	27,123	27,357	27,472

## MONTHLY FIGURES OF THE WEEK

	1946 Average	Year Ago	Month Ago	Latest Month
Manufacturers' inventories (seasonally adjusted, in billions)..... March.....	\$21.3	\$52.0	\$49.9	\$50.3
Exports (in millions)..... March.....	\$812	\$11,553	\$1,280	\$1,456
McGraw-Hill Indexes of New Orders (1950=100)				
New Orders for machinery, except electrical (seasonally adjusted)..... March.....	N.A.	120	179	163
Construction & mining machinery..... March.....	N.A.	153	197	224
Engines & turbines..... March.....	N.A.	123	192	225
Pumps & compressors..... March.....	N.A.	189	260	250
Metalworking machinery..... March.....	N.A.	93	144	165
Other industrial machinery..... March.....	N.A.	127	181	156
Office equipment..... March.....	N.A.	170	185	209
New contracts for industrial building..... March.....	N.A.	89	122	115

\* Preliminary, week ended April 25, 1959.

† Revised.

†† Estimate.

\*\* Ten designated markets, middling ½ in.

§ Date for 'Latest Week' on each series on request.

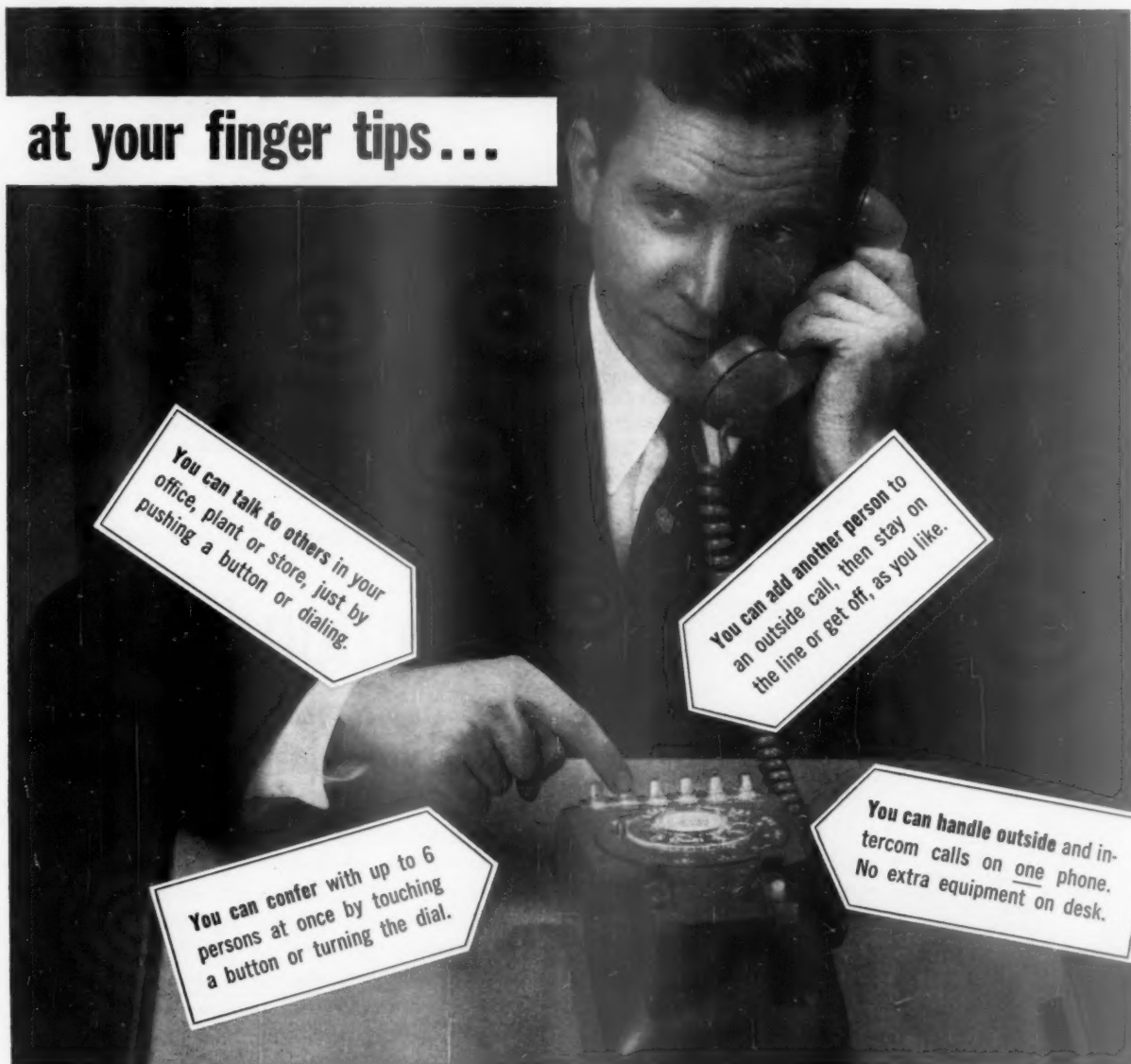
N. A. Not available.

THE PICTURES—Cover—Noel Clark; 19—(top) Robert Phillips, (bot.) U.P.I.; 20—(top) Herb Kratovil, (cen.) U.P.I., (bot.) W. W.; 23—Noel Clark; 24—Black Star; 26, 27—Don Newlands; 29—W. W.; 37, 38, 40—Noel Clark; 60—Herb Kratovil; 78—W. W.; 82—(lt.) Columbia University News Office, (cen.) Grant Compton, (rt.) George Woodruff; 83—(lt.) Joseph Nettis, (cen.) Morgan Stanley & Co., (rt.) Herb Kratovil; 100—Westinghouse.



# New Bell System intercom puts these advantages

## at your finger tips...

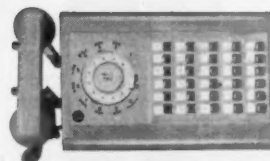


These are some of the new features of the Bell System's modern, push-button intercom service. Here is telephone service tailored to the exact needs of your business—to help you cut costs, increase profits and improve customer service.

No capital investment required. Rearrangements and additions are han-

dled by skilled Bell System technicians. No added cost for maintenance.

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**How slippery is a slick floor?** Scientists at our Research Center developed a device for measuring accurately the slipperiness of a floor. The "slip tester," as it is called, can help you make the floors of your plants, stores or offices safer. This cuts down on injuries, helps keep insurance costs low.

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BUSINESS WEEK • MAY 2, 1959 • NUMBER 1548

Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948). Founder. PUBLICATION OFFICE: 330 West 42nd Street, N. Y. 36, N. Y. See panel below for directions regarding subscriptions or change of address. EXECUTIVE, EDITORIAL, CIRCULATION AND ADVERTISING OFFICES: McGraw-Hill Building, 330 West 42nd Street, N. Y. 36, N. Y. Donald C. McGraw, President; Joseph A. Gerardi, Executive Vice President; L. Keith Goodrich, Vice President and Treasurer; John J. Cooke, Secretary. Officers of the Publications Division: Nelson L. Bond, President; Ralph B. Smith, Vice President and Editorial Director; Joseph H. Allen, Vice President and Director of Advertising Sales; A. R. Venezian, Vice President and Circulation Coordinator. Subscriptions to Business Week are solicited only from management men in business and industry. POSITION AND COMPANY CONNECTION MUST BE INDICATED ON SUBSCRIPTION ORDERS. SEND TO ADDRESS SHOWN IN BOX BELOW. United States subscription rates for individuals in the field of the publication, \$6 per year, single copies 50¢. Second class postage paid at N. Y. 1, N. Y. and at Albany, N. Y. Printed in U. S. A. Title registered in U. S. Patent Office. © Copyright 1959 by McGraw-Hill Publishing Co., Inc. All rights reserved.

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BUSINESS WEEK • May 2, 1959

## READERS REPORT

### Excellent Feature

Dear Sir:

Your Personal Income by States information is terrific [BW—Mar. 28'59,p146]. It promises to be the long sought answer to the urgent need for a single feature index of economic activity by geographic area. . . .

You should give credit to the major part played by state employment security agencies in furnishing the following data to the federal bureaus: quarterly insured payrolls in private industry and the federal government; monthly non-farm employment, hours, and earnings estimates; and weekly unemployment insurance payments. The quarterly figures are not estimates but compilations of employer reports. . . .

SHERRILL W. NEVILLE  
 CHIEF STATISTICIAN, UTAH DEPT. OF  
 EMPLOYMENT SECURITY  
 SALT LAKE CITY, UTAH

Dear Sir:

. . . your new personal-income series is a first rate idea. And the method is basically sound. . . .

LOUIS M. O'QUINN  
 ASSOCIATE DIRECTOR  
 MISSISSIPPI STATE UNIVERSITY  
 STATE COLLEGE, MISS.

### Retirement Plans

Dear Sir:

The Washington Outlook section [BW—Mar.28'59,p43] states that lawmakers privately say that self-employed retirement legislation is unfair. However, there doesn't seem to me to be any logical reason why self-employed people should be denied the same opportunities enjoyed by persons covered by company pension plans; that is, setting aside funds in periods of high income in preparation for retirement.

The Treasury's concern over losing additional taxes is understandable. I would like to offer a partial solution to this loss of tax money. Since the tax deferral would be a concession on the part of the Treasury, it would not be unreasonable to require that the income so deferred be invested in long-term Treasury bonds.

This "happy medium" would enable self-employed persons to enjoy a greater sense of security in their later years, while providing the Treasury with additional long-term funds to offset the loss in tax

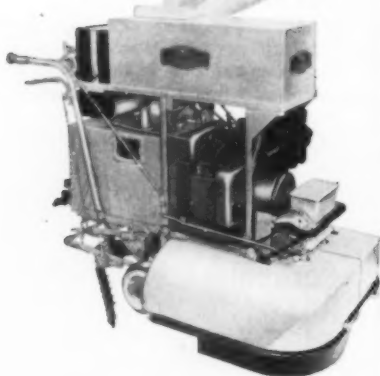


# Self-Powered

## COMBINATION SCRUBBER-VAC

### Cleans Vast-Area Floors "By the Mile"

Monoxide Eliminator,  
Powder Dispenser,  
and Rinse Assembly  
are accessories



- Completely mechanizes scrubbing
- Coverage up to 24,400 sq. ft. per hour!
- Mounts a SELF-STARTING gasoline engine

Whatever the area of your floors, find out what you would save with a *Combination Scrubber-Vac*. Finnell makes self-powered models, gasoline or propane operated, in 18, 30, 36, and 72-inch sizes, and also electric models in sizes to meet specific needs. It's good to know too that a *Finnell Floor Specialist and Engineer* is nearby to help train your maintenance operators in the proper use of *Finnell Equipment* and to make periodic check-ups. For demonstration, consultation, or literature, phone or write nearest *Finnell Branch* or Finnell System, Inc., 3805A East Street, Elkhart, Indiana. Branch Offices in all principal cities of the United States and Canada.

This *all-in-one* cleaning unit, Finnell's 218G Gasoline-Powered Combination Scrubber-Vac, is indeed the answer to today's need for increasing output per man-hour on vast-area scrubbing. The 218G applies the cleanser, scrubs, flush-rinses if required, and picks up (damp-dries the floor) — *all in one operation!* Independence from power lines permits the machine to go wherever the operator guides it . . . working in and out of production areas with ease . . . scrubbing continuously.

Maintenance men appreciate the labor-saving features of this unit. The gasoline engine starts quickly and easily by pressing the starter button. And there are no switches to set for fast or slow — slight pressure of the hand on clutch lever adjusts speed to desired rate (up to 136 fpm). Two 18-inch brushes give a 36-inch scrubbing surface. *One engine* (2 cyl., 4 cycle, up to 10.1 hp maximum, and air-cooled) operates all working parts. The powerful vac performs quietly.

**FINNELL SYSTEM, INC.**

Originators of  
Power Scrubbing and Polishing Machines



BRANCHES  
IN ALL  
PRINCIPAL  
CITIES

revenue resulting from the granting of such tax deferments.

STANLEY I. SUNOK  
LOS ANGELES, CALIF.

## Foreign Aid

Dear Sir:

Your editorial highlights the fact that what we have called "Foreign Aid" [BW—Mar.28'59,p162] is hampered more by the unexplained, than by the unexplainable.

Is it truly "foreign," serving foreign needs and policies, or is it American Overseas Aid? If we are faced with economic aggression from the Kremlin, then why is so much aid diverted to Communist governments, such as satellite Poland? We call it "aid," but when the chips are down, as in Hungary, Tibet, and elsewhere, we refuse aid, while in similar circumstances Soviet aid pours in to help their friends? If our program is to combat economic warfare, then why is it used to weaken our own economy by financing overseas industries that by competition have eliminated domestic industries, as for example stainless tableware, low cost 'chinaware,' and thus has weakened rather than strengthened our economy? . . .

J. KESNER KAHN

CHICAGO, ILL.

## Bottled Beer

Dear Sir:

We in Owens-Illinois found your article on beer's distribution to the Latin American economy [BW—Mar.14'59,p66] a highly interesting one, particularly in view of our long association with Central and South America.

Much as I hate to detract from such an excellent article, I must point out that the writer erred badly when he stated on page 69 that Bavaria of Colombia "still relies on the more expensive glass bottles."

Just as it is in the U. S., the returnable beer bottle is by far the least expensive way of carrying beer to market in Colombia and other Latin American countries. Furthermore, Bavaria makes its own bottles. . . .

O. R. HECHT

OWEN-ILLINOIS INTER-AMERICA  
CORP.  
TOLEDO, OHIO

Letters should be addressed to Readers Report Editor, BUSINESS WEEK, 330 West 42nd Street, New York 36, N. Y.





Helicopter view of offshore drilling barge, drilling tricky wildcat well for Bahama Gulf Oil Company and Bahama California Oil Company.

## Off the Bahamas... a baffling problem solved

When this seagoing oil drilling rig moved to a location southwest of Nassau in the Bahamas, it encountered a special problem. The problem was porous coral rock through which drilling "mud" (ordinarily used to remove cuttings from the hole) would seep away.

To solve this lost circulation problem, oil technology provided an ingenious solution. Four Gardner-Denver air compressors, specially designed for oil well service, assisted by two Gardner-Denver "booster"

compressors, are used to aerate the drilling fluid until it rises out of the well, carrying the cuttings with it. This process was successful where other methods failed.

This year Gardner-Denver joins the oil industry in celebrating a 100th anniversary. For many decades the two have been partners in progress. That is why the name "Gardner-Denver" is so well and favorably known to oil men everywhere. Gardner-Denver Company, Quincy, Illinois.



Gardner-Denver air compressors mounted on offshore drilling platform.



EQUIPMENT TODAY FOR THE CHALLENGE OF TOMORROW

# GARDNER - DENVER



## NEW WESTINGHOUSE "WALL LINE" WATER COOLER FITS FLUSH TO WALL, DOESN'T JUT INTO PASSAGEWAYS!

Here's the ideal water cooler for today's modern plants and offices. New Westinghouse "Wall Line" fits flush to the wall—actually protrudes 30% less into passageways because all the plumbing is *inside the cabinet!* Traffic moves freely, safely. There are no unsightly pipes . . . no space in the back to catch dirt and trash. And the "Wall Line" installs anywhere in far less time. For more information, call your Westinghouse distributor. He's listed in the Yellow Pages under "Water Coolers." Ask about our exclusive Guarantee Plan which gives full, permanent protection. Westinghouse Water Coolers—for sale everywhere—available for rent in most cities.

**YOU CAN BE SURE...IF IT'S** **Westinghouse**

Water Cooler Dept. • Springfield 2, Mass.



**EXCLUSIVE 5-YEAR GUARANTEE.** Factory-built unit permits replacement of complete refrigeration system in minutes—right on location. No need to return cooler to factory for repair.

# Are you having plant problems at home ?



Industry management has long considered weed and brush control around plant areas of vital importance to safety, utility and beauty. And for years Amchem Products, Inc., has supplied the chemical compounds that provide weed control to save industry thousands of dollars in reduced maintenance and to enhance external plant appearance.

At home, however, management-turned-gardeners encounter Amchem products of an entirely different nature. In this area, Amchem markets "Weedone" selective weed killers and a family of plant growth regulators that have become household words through the nation.

For example, the chemical formulations that gave you control over crabgrass, dandelion, plantain, chickweed or more than 100 different weeds in your

lawn may have displayed familiar Weedone labels.

If you and your wife are gardening enthusiasts, you have undoubtedly rooted stronger and healthier cuttings with Rootone, one of Amchem's family of hormone growth stimulants. Or, it's a good bet she used Transplantone to get her annuals and perennials off to a good start—just as you may have used it to transplant trees or shrubs.

Amchem produces a complete line of chemical weed killers and plant hormones for the improvement of crops and control of weeds in agriculture, industry and home gardening, as well as chemicals and processes for the metalworking industry. Find out how Amchem products can protect, beautify or improve your products, your plant or your home. Write today for further information.



## AMCHEM PRODUCTS, INC.

(Formerly American Chemical Paint Co.)

AMBLER 35, PA.

Detroit, Mich., St. Joseph, Mo., Niles, Calif., Windsor, Ont.

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# When Can I





# Cut Packaging Costs?



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SPECIAL REPORT

## Steel Buyers Get Strike Fever: Hedge Buying Begins

IRON  
AGE

June is still a long way off, but steel users are starting to score.

through May and April. The lash-up in steel deliveries should

May Be Too Late—The situation in Pittsburgh indicates a nationwide trend is in the making. Pittsburgh had

Market Outlook

STEEL

## With Stocks at Low Ebb, Rush Is on

DEMAND for steel is rising rapidly as consumers strive to replenish low inventories. Fabricators who let their stockpiles decline last year are suddenly realizing that they don't have enough metal on hand.

porary." Taking an opposite stand (though he foresees no allocations), a market analyst declares: "I think we'll

# Report on Ryerson stocks as steel squeeze tightens

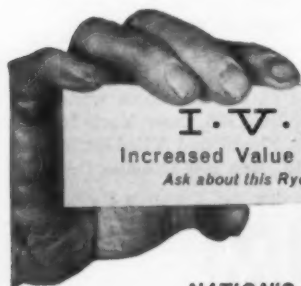
Steel stocks at Ryerson are at an all-time record high—in tons, types and sizes. Fortunately, Ryerson anticipated a squeeze situation and began laying in stocks of steel months ago. You can depend on Ryerson to furnish steel of high, uniform quality and to maintain its regular policy of fair, published prices.

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Don't let the steel squeeze trap you into scrapping cost control programs based on

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# BUSINESS OUTLOOK

**BUSINESS WEEK**

**MAY 2, 1959**



Business gains are coming a little harder now. The momentum isn't quite what it was. But that isn't difficult to understand.

Inventory accumulation is at about as high a rate as it's likely to reach—and that's what has given the hardgoods industries their big boost.

This is typical enough of the first phase of recovery. Quite coincidentally, this phase has encompassed just about exactly a year.

Look back 12 months and you will see that the weekly indicators, with a remarkable unanimity, were scraping bottom.

Business Week's Index, mirroring a cross-section of them, was at its recession low of 120 (page 2). Inventories were being cut in industry after industry; the rate of decline was almost \$10-billion a year.

Capital investment projects were slowed and plans shelved.

Now the Business Week Index is over 150. Factories are stepping up the pace—though still comfortably below plant-and-manpower ceilings.

Inventories are being stocked at about a \$6-billion rate. That may be the top, but plans for plant and equipment are being dusted off, and contracts are beginning to flow again.

Consumers are back in the market for big-ticket items.

Perhaps they are more knowing, more selective—or maybe it just seems that way after any recession. In any event, many makers of consumers' hardgoods have first-quarter profits that bespeak bigger volume (page 21).



Steel and autos show most vividly, of course, how far and how fast production has moved in the space of a year.

Steel output this week was scheduled to nudge 95% of capacity—2,674,000 tons. That's easily double the year-ago melt of 1,289,000.

Though strike fears account for a few percentage points, consuming industries plainly have very healthy appetites. Many observers, in fact, are beginning to talk less about inventory building for a strike emergency and more about restocking for day-to-day operations.

Auto output looks solid, even at a so-so pace of 134,000 units, beside the 58,664 units turned out in the same week last year.

So many cars remained unsold last spring, and the motoring public was so apathetic, that output had to be curbed drastically. Now, even though 800,000 cars are in stock, Detroit continues to produce confidently.

But, just in case buyers need prodding, the auto makers are readying bonus incentives to see that dealers put May over the top.



Electric power production has been steadily expanding its rate of gain over a year ago—and that's not wholly a matter of last year's slump.

Year-to-year gains now are running 12% or so. And the weekly figures are very nearly that much better than they were at this time in 1957,

# BUSINESS OUTLOOK (Continued)

BUSINESS WEEK

MAY 2, 1959

when business was still very active. Moreover, the best gains now are being turned in by the diversified metalworking area around the Great Lakes.

Probably, then, you can attribute about half of the gain in power output to "catch up," the other half to out-and-out expansion.

Carloadings, which only recently braked their long slide, now are showing good year-to-year gains. The latest report showed a plus 19%.

Here it is significant that shipments of **miscellaneous and less-than-carload freight**, mainly consisting of factory-produced goods, are right up to the total. Their gain currently is 18%.

**Paperboard production**, which also provides insight into movement of manufactured products, continues to rack up very large gains (and has shown little or no post-Easter decline).

The latest output figure, 304,000 tons, is 29% better than a year ago.

Activity in power generation and steel output have **spurred fuel production**, as may be seen in both petroleum and coal.

Coal output, at last report, was 20% above the same week last year. Crude oil's year-to-year advance was 13%, but a part of that has to be attributed to restrictions on imports as well as higher demand.

Record construction levels have, for some time, found clear reflection in **lumber prices and output**. **Structural steel**, however, is lagging.

Lumber output and shipments are better than 15% above 1958, while the opening up of the homebuilding season is bringing new strength to prices.

Structural steel, which gets little help from housing, had the **poorest first-quarter shipments in years**, 25% below a year ago.

Stockholders in dozens and dozens of corporations were hearing this week, at their annual meetings, about the way things have been going.

A rundown shows a **vast majority of corporate officials highly optimistic**. In the few cases where first-quarter earnings weren't up to 1958 levels, they see good gains from the second quarter onward.

Not every annual meeting turns out to be an occasion of pure joy, of course, even in a year of rapid and robust recovery.

- **Republic Aviation** stockholders were told that, due to defense changes and internal realignment, 1959 would be the "low in the earnings cycle."

- **Lehigh Coal & Navigation** noted that "the areas in which your company is active have not been booming" though 1959 may still top 1958.

- **Crane Co.**, whose management is being shaken up in a policy dispute (page 28), told stockholders that operating results are improving but that gains may be limited by losses from further liquidation of unprofitable lines.



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*Chevrolet Division of General Motors  
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*4-Door Bel Air Sedan*

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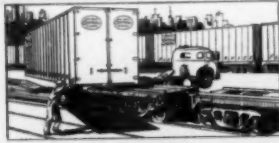
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## New York Central Railroad



# Staking New Area of Labor Law

**Kennedy-Ervin bill precipitates first real debate in 12 years on changing the limits on union power.**

With a single dissenting vote, the Senate last Saturday passed its first major labor legislation since the Taft-Hartley Act in 1947. The Kennedy-Ervin bill ran the gauntlet of a 10-day debate that changed its tone while leaving its main features intact.

The bill, which now goes to the House, requires unions to do business honestly and out in the open. This was expected. The need for reform had been pointed up by the McClellan racket investigation. What wasn't expected—and what threw the Senate into a full-dress debate—was the amendment of the bill to go far toward government regulation of the internal affairs of unions, historically regarded as voluntary associations.

Thus, the Senate staked out a whole new area of legislative action, on the principle that the affairs of organized labor are a public concern and should largely be conducted publicly.

Whether or not the Kennedy-Ervin bill becomes law—and it faces a stern test in the House—the Senate's acceptance of this new area of responsibility is bound to have historic significance.

## I. Medium-Sized Monument

The Kennedy-Ervin bill doesn't pretend to the stature of the Taft-Hartley Act 12 years ago or the Wagner Act 12 years before that. It isn't the sharply outlined landmark that they were: the Wagner Act as the workingman's Magna Charta, T-H as the redressing of the power balance to guarantee management rights, too.

The Kennedy-Ervin bill is made up of more subtle shadings and more delicate balances in the area between Wagner and Taft-Hartley. And the pressures on the senators came in more complex cross-currents.

For example, the Wagner Act was swept into force as part of the New Deal, as a product of the Depression, at a time when public sympathy was strongly on labor's side. Taft-Hartley went through, over Pres. Truman's veto, when the public was stirred by strikes that kept consumers from achieving the living standards they could afford.

Today's issue comes down to this: How can the union member as an individual be best protected from the misdoings of his own union leaders?

Whatever public emotion this issue generates must be traced to the labor rackets investigation of Sen. John L. McClellan (D-Ark.) and his committee. And it was McClellan's proposal of a labor unionist's "bill of rights" that touched off the Senate's long debate.

## II. The Debate

Sen. John Kennedy (D-Mass.) and Sen. Sam Ervin (D-N.C.) originally offered a bill that labor leaders endorsed. It embodied union procedural reforms that labor was ready to accept and a few T-H changes that unions long had sought. This was not presented as the long-discussed thorough revision of T-H; such a revision is still under study, with slim chance of action before adjournment.

In its first test, the Kennedy-Ervin bill was preferred over the Administration-sponsored Goldwater bill by a 67-27 vote. The Republican bill specified much the same union reforms, but its Taft-Hartley changes were more to the liking of management than of labor.

The debate went into high gear when McClellan offered his "bill of rights" as an amendment, and in the maneuverings after its adoption by a margin of one vote. A motion for reconsideration, which would have killed the amendment outright, was defeated by the tie-breaking vote of Vice-Pres. Richard Nixon. However, some easing of language was later put through in another deciding vote by Nixon.

• **Issues**—The Senate wrestled with a two-part question: Does labor's power need new curbs, and are new laws needed to check corruption among those who control the unions?

Sen. McClellan, whose rackets committee heard 1,250 witnesses in 285 days of hearings, argued that it's all one question. In the end, his argument prevailed, though his amendments were watered down. The Administration and many Senate Republicans also said basic causes of corruption in the labor



**ROBERT A. TAFT** led 12 years ago in making a law that, essentially, requires unions to exercise their power responsibly. The Taft-Hartley Act, passed over Pres. Truman's veto, has stood virtually unchanged since then. Now the Senate has drawn new rules, designed to hold the unions to a new standard of responsibility.



**JOHN F. KENNEDY**, the front-running Democratic Presidential aspirant, would like a labor law bearing his name. Like Taft, he has deliberately made labor his province. But he had hoped to legislate against union corruption without putting any new restrictions on unions vs. management or regulating disputes within a union.



JOHN L. McCLELLAN swung the Senate his way for a time with his wrath against labor racketeering, and he won many points.



BARRY GOLDWATER, Arizona Republican, would go far beyond Taft in restricting unions. He cast only opposing vote.

THOMAS H. KUCHEL, California Republican, headed informal group of eight GOP senators who promoted compromises.



movement couldn't be removed without plugging loopholes in the Taft-Hartley Act.

On the other side, Sen. Kennedy led in the idea that racketeering could be controlled with legislation limited to regulating union affairs. He advocated no tightening of Taft-Hartley in this connection.

• **Bill of Rights**—McClellan told the Senate: "The records show over and over again that a rank-and-file union member dare not risk any opposition to corrupt or autocratic leadership."

To remedy this condition he proposed rules giving the government power to umpire disputes within a union and giving a dissatisfied union member the right to take his grievance to a federal court. His bill of rights guarantees a union member the rights of free speech and free assembly in his union hall and the right to sue union officers—all without any retaliation in the form of "disciplinary action."

McClellan's effort to give the Secretary of Labor the power to seek injunctions in support of these individual rights was balked primarily by Southerners who feared it as a weapon in racial integration.

McClellan's bill of rights was opposed for different reasons by others in his own party. Sen. Joseph Clark (D-Pa.) said the granting of such individual rights might lead to a disproportionate federal bureaucracy for enforcement. Sen. Kennedy argued that the rights specified by McClellan are already guaranteed by law.

• **Into New Ground**—Sen. Karl Mundt (R-S. D.) and Sen. Carl Curtis (R-Neb.) pushed the debate into fields heretofore regarded as the business of union and management leaders. They proposed an amendment to prohibit picketing of a shop, in the absence of a strike, to force the organizing of the shop. With McClellan on their side, they said such picketing is a racketeering device, to force workers into a union or management into signing a contract.

Sen. Ervin argued for the right to picket peacefully "for the purpose of persuading others to join a union." And Sen. Kennedy said: "The amendment has nothing to do with labor racketeers. It goes to the whole question of the relationship of employers and employees. Of course, there is an economic struggle. I do not propose to take away rights from one group and not from the other."

The amendment was adopted in a form to permit such picketing only where no other union has been certified within the past nine months by the National Labor Relations Board as bargaining agent.

• **Secondary Boycott**—McClellan also brought up another economic weapon

long challenged by employers—the secondary boycott, in which employers whose workers are already organized are enlisted in a fight against another employer.

Kennedy won this argument with his defense of a union's right to ask an employer it has already organized to help preserve the gains it has earned. "I don't believe," he said, "that a union should be prevented from saying to an employer, 'Our economic relations will be better if you subcontract your work to contractors who are paying decent wages'."

### III. Points Decided

In the end, the Senate bill contains these provisions:

- Unions must report to the Secretary of Labor on financial operations, including payments and loans to union officers and businessmen. Secret ballot is required for election or removal of officers.

- Employers must report to the Secretary of Labor on payments to labor relations advisers, payments or loans to union officers, and payments to workers for information about unions.

- Union members are guaranteed the right to speak out in meetings, to protest against actions of union leadership, to assemble in opposition, and to go to court if such rights are infringed.

- Organizational picketing is forbidden where an employer has an effective contract with another union or has in the previous nine months recognized another union. "Hot cargo" contracts in the transportation industry are forbidden (in these, a common carrier agrees to cut off service to another employer involved in a labor dispute).

- In union representation elections, workers who are out on strike are permitted to vote along with the workers who have replaced them in jobs. Small labor cases are brought under Taft-Hartley rules. Building trades unions are permitted to sign labor contracts for a construction project not yet started.

- Penalties are set for violations—up to \$10,000 fine and from one to 20 years in jail. The Secretary of Labor is given power of subpoena to investigate violations and the right to get court injunctions to compel reporting required by the law.

- **House Action**—The prospect in the House is that Administration supporters will fight for harsher amendments to the Taft-Hartley Act, while the labor bloc will attack McClellan's bill of rights, even in its softened form. A bill similar to Kennedy's original draft was passed by the Senate last year, 88-1 (in both cases Sen. Barry Goldwater was the sole dissenter), but failed to get through the House.

# Record Profits Start Piling In

## FIRST QUARTER SALES AND PROFITS

(in Thousands of Dollars)

Company	Sales	% change from 1958 %	net income	% change from 1958 %
Air Reduction .....	47,936	+ 10.8	3,749	+ 11.2
Allegheny Ludlum .....	70,276	+ 39.3	4,550	+526.7
Allis-Chalmers .....	84,125	- 20.7	d3,623	*
Alpha Portland Cement ..	5,177	+ 38.1	34	*
American Can .....	227,085	+ 3.2	7,839	+ 11.1
American Cyanamid .....	145,860	+ 10.0	13,063	+ 5.5
Amer. Mach. & Foundry ..	57,652	+ 12.3	5,020	+ 81.5
Armco Steel .....	259,250	+ 34.8	21,152	+126.7
Babcock & Wilcox .....	77,856	- 15.9	4,479	+124.0
Bell & Howell .....	10,086	- 9.2	399	+ 66.8
Burroughs .....	80,923	+ 19.0	1,533	+ 39.3
Caterpillar Tractor .....	178,734	+ 39.1	10,981	+207.9
Consolidation Coal .....	78,127	+ 9.7	5,207	+ 62.7
Diamond Gardner .....	44,038	+ 11.7	1,940	+ 8.7
Douglas Aircraft*** .....	227,598	- 27.1	d4,208	*
Electric Auto-Lite .....	41,889	- 5.3	1,969	+205.3
Florida Power Corp. ....	15,647	+ 0.7	2,953	- 10.7
Ford Motor .....	1,475,300	+ 34.6	134,800	+352.3
Georgia-Pacific .....	39,343	+ 19.9	2,750	+ 42.3
Granite City Steel .....	37,539	+ 29.9	3,466	+ 68.6
Hercules Powder .....	64,175	+ 13.0	4,883	+ 48.2
Kaiser Steel .....	60,972	+ 31.8	3,303	+ 61.2
Kennecott Copper .....	130,627	+ 54.1	22,396	+ 92.2
Liggett & Myers .....	130,109	+ 4.9	7,082	+ 18.0
Lone Star Steel .....	20,683	+101.8	2,022	+318.9
Mack Trucks .....	70,036	+ 28.0	3,540	+210.9
Monsanto .....	197,842	+ 22.8	15,768	+107.3
National Distillers .....	128,060	+ 22.7	4,383	+ 89.5
National Gypsum .....	42,110	+ 12.0	6,017	+ 10.2
Niagara Mohawk Power ..	82,658	+ 7.6	10,798	+ 3.7
Northwest Airlines .....	27,243	+ 44.7	93	*
Olin Mathieson Chemical ..	159,909	+ 25.3	6,395	+ 43.0
Parke, Davis .....	44,850	+ 4.6	6,902	- 3.3
Peabody Coal .....	26,537	- 1.2	3,101	+ 6.5
Pfizer .....	60,547	+ 12.6	6,339	- 2.9
Pittsburgh Plate Glass ..	110,267	- 6.0	3,730	- 26.4
Reichhold Chemicals .....	22,341	+ 41.0	464**	+ 10.7
Rexall Drug & Chemical ..	48,112	+ 19.2	1,464	+ 50.5
Reynolds Metals .....	111,880	- 3.3	9,001	- 9.2
R. J. Reynolds Tobacco ..	286,868	+ 12.7	19,784	+ 13.7
Safeway .....	513,487	+ 4.5	7,035	- 2.7
Scovill Mfg. ....	36,952	+ 30.6	1,110	*
Standard Brands .....	131,936	- 0.6	3,996	+ 4.6
Studebaker-Packard .....	115,456	+ 30.2	7,755	*
Texas Gulf Sulphur .....	14,033	+ 15.6	3,251	- 6.4
Union Carbide .....	363,648	+ 23.7	41,581	+ 82.1
U. S. Steel .....	1,077,588	+ 34.7	106,585	+ 70.7
Westinghouse Air Brake ..	41,989	- 20.9	1,986	- 13.7
Wrigley (Wm.) Jr. Co. ..	21,456	+ 3.0	2,609	- 2.2
Zenith Radio .....	59,221	+ 40.4	3,324	+ 63.2

d—deficit

\* Not comparable

\*\* Excludes non-recurring profit

\*\*\* Period ending Feb. 28

As predicted, U.S. corporations rolled up profits at a prodigious rate in the first quarter of 1959 (table).

With few exceptions, companies report substantial increases in sales and after-tax earnings compared to the first quarter of 1958. This was to be expected, because a year ago the economy was experiencing the sharpest recession in the post-World War II period.

But 1959's first-quarter earnings look good even stacked against similar past periods. In 1956, when pre-tax profits hit a record \$45.5-billion, the first quarter registered an annual rate of \$46.2-billion. Most economists suspect that profits in 1959's first quarter were hitting an annual rate of at least \$48-billion and may even have reached \$50-billion. This could be well ahead of the old peak quarterly rate of \$46.7-billion, set in 1956's fourth quarter (BW—Apr. 4 '59, p25).

• **Record Year Ahead**—What's more, profits in the second quarter are expected to exceed the record first-quarter showing by a considerable margin. It is too early to tell just how long corporations can continue to pile up earnings without running into higher costs, but from every indication, 1959 will break all previous records for corporate profits, both before and after taxes.

Corporate profits always tend to rise after a recession, simply because sales start rising from a depressed level. But the first-quarter showing suggests that corporations are getting more than the normal lift from increased sales. The vigorous cost-cutting and modernization plans put through during the recession seem to be paying off handsomely now in increased productivity and lower costs.

The fact is that most companies are able to show a larger profit on each sales dollar. Allegheny Ludlum Steel, for example, had a 39.3% increase in sales, but profits are more than six times as great. Part of this is due to the fuller utilization of facilities, which makes for savings, but greater efficiency is mostly responsible. As the table shows, Allegheny Ludlum's record is shared by a great many others.

• **Islands of Gloom**—There are a few bleak spots in the otherwise bright profit picture. Some companies producing capital goods, for example, have not been able to recover from last year's depressed sales and earnings.

Drug companies, beset by increasingly sharp competition and heavy research costs, have not been able to show much improvement over 1958. True, drug company profits were good last year, but now many drug concerns are finding it tough to maintain their



advances. Schering was fairly typical, with first-quarter sales down about 3%. Per-share net income dropped from about 85¢ in 1958 to about 60¢ in first-quarter 1959.

• **Robust Earners**—Far offsetting such cases, however, is the increasing number of corporations reporting net income for the first quarter at all-time peaks. Among these is Northern Pacific Ry.—its net for the period is up to \$3.7-million, a 178% increase from the same period a year ago. Texaco, Inc., says that its net of \$91.2-million—up 30.3%—gave it the best first quarter in company history and the second best quarter ever. Armco Steel turned in a remarkable first quarter, with net income more than 2½ times last year's.

In general, industries with the biggest relative increases in profits are in the cyclical sectors hit hardest last year, such as steels, autos, chemicals.

At midweek, neither General Motors nor Chrysler had yet disclosed first-quarter results, but every indication from Detroit points to a very sharp upturn. American Motors, with its booming Rambler starting to push for third place in U.S. auto sales, reported the best quarter in its history, with \$228.8-million in sales (up 110%) and \$12.5-million in earnings (up 421%). Moreover, the company was able to declare its second cash dividend (60¢) since it was formed by the merger of Nash-Kelvinator and Hudson in 1954.

• **Surfeit of Riches?**—With profits flooding in at this record rate, some corporate treasurers looked as though they were faced with an embarrassment of riches. Corporations have been flush with cash ever since early in the recession (BW—Mar. 7 '59, p. 30); up until now, they have not been coming to the banks even for seasonal borrowing in anything like the normal numbers, and they have been willing purchasers of massive quantities of short-term U.S. Treasury obligations.

Record-breaking profits, of course, are adding to this glut of cash. Says the treasurer of one chemical company: "The biggest problem we have around here is trying to find ways to spend all the money we've got lying around."

The big question the Treasury faces, of course, is how long corporations will sit on this money. Some observers predict that it's already burning a hole in the corporate pocket, and they add that the Treasury may soon be forced to borrow from the banking system—which will be inflationary, when corporations begin a new round of capital goods spending.

Moreover, the pickup in profits should be reflected in an increase in corporate tax liability. This will help the Administration in its efforts to maintain the precarious balance in its budget for fiscal 1960.

# Big Steel and Union

**A date with Congress to testify on price notification bill gives two sides in the steel talks a chance to rehearse their views.**

Steel management and steel labor staged a preview of their wage contract negotiations for Congress and the television cameras last week. They will go behind closed doors May 5 for the most crucial wage bargaining of the year (page 29).

The leading actors, Roger Blough of U.S. Steel and David McDonald of the United Steelworkers of America, took the platform provided by the Senate Antitrust & Monopoly subcommittee to run through their main arguments for and against wage increases (pictures, right).

• **Inflation Fears**—Their testimony gave little consolation to Pres. Eisenhower and top Administration officials crusading against inflation. Neither Blough nor McDonald displayed any weakening in his position; each said it is up to the other's moderation to avoid a steel price rise following a wage settlement.

The Administration's anti-inflation campaign in the past few weeks has focused almost exclusively on the steel industry. Eisenhower and his aides believe that a high wage settlement in steel, resulting in a price increase, would set a pattern for other industries. Avoiding a price hike in steel would be a major step toward general price stability, they feel.

• **Reason for Appearing**—Officially, Blough and McDonald appeared to testify on a bill that would require major corporations to submit proposed price increases to public review. But the questioning on this topic was dropped quickly to get around to the steel negotiations.

At the outset, Blough's prepared statement attacking the bill as an anti-profit measure touched off the biggest uproar. Blough contended the bill—if enacted—would actually help the Russians gain economic superiority over the U.S. by taking away profits that Blough said should go for capital spending.

Democrats rose en masse at the suggestion. Retorted the bill's author, Sen. Joseph O'Mahoney (D-Wyo.): "There is not a line, not a word, not a sentence, not a section which justifies that statement."

• **Profit Questions**—Aside from this flare-up, Democratic members concentrated on the industry's pricing as a cause of inflation. They peppered Blough with questions about U.S. Steel's profit rate. Blough replied that

there were "all sorts of distortions" about the size of U.S. Steel's profits. Actually, profits have declined as a percentage of sales from 8.1% to 6.3% over the past nine years, he said. He conceded, however, that U.S. Steel has done better than the industry as a whole.

Neither Blough nor McDonald spelled out specific proposals for the actual bargaining beginning next week. But they did describe the general arguments they intend to use during negotiations.

• **Mr. Blough . . .**—Blough concentrated on the claim that wage increases of recent years were the cause of steel price rises. While profits as a percentage of sales were slipping, he argued, wages have gone up considerably. For the last three years alone, he said, they rose more than 81¢ an hour, or 28.3%.

Blough also made it plain that he does not intend to cut down on profits set aside for reinvestment to give steelworkers a wage increase. He admitted that he had asked for price increases in recent years to raise \$600-million for capital reinvestment—and implied he would do so again if there is not enough left from profits at present prices. He softened this by adding: "We don't intend to raise prices in the foreseeable future, and I earnestly hope that we will be able to maintain this position."

Blough never got riled at his questioners, but he was groggy at the end of some five hours on the committee's hot seat.

• **. . . Meet Mr. McDonald**—The Democrats—who were in charge all the way—gave the labor leader a much happier time all around.

McDonald took the opportunity to make up with subcommittee Chmn. Estes Kefauver (D-Tenn.). The Steelworkers chief only a few weeks ago told reporters that Kefauver should "keep his nose out of my business" when the senator was commenting on wage negotiations. "Friends shouldn't argue among themselves," Kefauver chided McDonald. The union leader laughed heartily in agreement.

McDonald spent only 2½ hours on the stand—and about the roughest thing said to him was that excessive wage and price hikes must be curbed if stronger and more direct government actions are to be avoided.

• **USW Targets**—McDonald emphasized rising productivity as a major argument for wage increases. But he served notice on management that he intends to dig into the steel industry's present profits to win a hefty wage increase for his workers. He made it clear that he was after "substantial" increases



# Warm Up for Crucial Bargaining



SENATE SUBCOMMITTEE hears steel arguments, plus testimony on measure to give government power to review proposed price boosts.



STEEL's spokesman is Chmn. Roger Blough of U. S. Steel, arguing that wage increases have been to blame for past price rises.



LABOR'S representative David McDonald of Steelworkers, contends productivity improvement will permit sizable raises.

in wages and fringe benefits. The industry can well afford it, he claimed, on the basis of productivity increases and the "spectacular" gain in profits this year.

McDonald denied the industry's contention that wage increases brought about price increases. He argued that steel's administered pricing for bigger profits was the cause.

He dismissed the whole concern over inflation as a publicity stunt dreamed up by steel industry public relations experts for the purpose of holding down wages.

• **Administration Stiffens**—The Administration's toughening attitude toward a steel wage increase showed up in the hearings. In a statement submitted to the subcommittee, Eisenhower's chief economic adviser, Raymond J. Saulnier, stressed the view that excessive wage increases are the primary cause of recent inflation. Eisenhower has said in recent weeks that wage gains must be limited to productivity increases.

Vice-Pres. Nixon has taken an even sharper stand. He says that a wage increase, even if limited to productivity gains that produced no steel price rise, would still be unacceptable if it set a pattern for wage settlements by other unions that did result in price increases.

• **United Opposition**—Though they were miles apart on other matters, both Blough and McDonald could agree on opposing the price notification bill—and for essentially the same reason. Blough objected that it would give the government power to intervene in management pricing and that thus it was a long step toward direct price controls. McDonald recognized that before any such bill could clear Congress it would have to include a wage increase review, and he argued that this would inject the government into collective bargaining.

A number of other union leaders have been wary of endorsing the bill for the same reason. But Leonard Woodcock, vice-president of the United Auto Workers, told the senators that his organization supported it because it provided a "strong and persuasive deterrent to the abuse of pricing powers" by large industries.

Charles R. Sligh, Jr., executive vice-president of the National Assn. of Manufacturers, rapped the measure as one that would submit business to a "virtually endless gamut of burdens and harassments."

Chmn. Frederic Donner of General Motors and the U.S. Chamber of Commerce also submitted statements opposing the bill.

The hearings will continue right through the opening day of the steel wage negotiations.



## Without Iraq, Arabs Talk Softly on Oil

**At their Cairo congress, Mideast producers fail to form a solid front against the big Western oil companies.**

In a defiant mood, delegates from Saudi Arabia (picture, left), other Mideast oil-producing countries, and Venezuela met in Cairo last week to lay down the law to the big oil companies.

Their much-publicized Arab Oil Congress turned out to be mostly talk—and surprisingly pleasant talk at that. By week's end, the congress officially had discussed little more than oil rigs (picture, right) and other technical points. Reason: Communist-dominated Iraq, a leading oil producer, stayed home because of its running feud with Pres. Nasser's United Arab Republic. That weakened the Arabs' position from the start.

The 500 or so delegates, a mixture of oil company executives and government oil czars, touched on all the hot subjects. Back-room conversations brought up possible changes in the already wobbly 50-50 formula for splitting profits between oil companies and

host countries. Saudi Arabia's influential Abdullah Tariki championed his old cause of cutting in oil-producing countries on the profits foreign companies make on all their operations, all the way to retail outlets, instead of just on production profits. Venezuela pushed its proposal for an agreement with Mideast countries to limit oil output and stabilize sagging prices.

• **Upshot**—When it was all over, the Arabs had temporarily failed in their bid to form a united front for negotiating better deals with the oil companies.

Only two practical results seemed to have emerged. There would be further down-to-earth discussions of:

• Lebanon's proposal for a joint government-company development fund for such transit countries as Syria and Jordan.

• Saudi Arabia's proposal for a new pipeline similar to Aramco's Tapline but controlled by Arab governments.

## More Monorail

**But not much—a mile at Seattle, less than a mile at Disneyland. It still draws a blank in city transit.**

Promoters of monorail transportation systems never have been able to cinch a deal with a big city to put in a monorail system. But monorail is still being pushed in a smaller way, and a few "showcase" lines are in the works.

This week, it was announced in Seattle that Lockheed Aircraft Corp. had won a \$5-million contract to build a one-mile monorail line from downtown Seattle to the site of a Century 21 exposition opening in 1961. Northrop Corp. also bid on this and is trying to sell the city of Los Angeles on its monorail system.

Another monorail line is going into operation at Disneyland, the amusement park in Southern California. It is patterned after one already operating in Cologne, Germany, and will cover four-fifths of a mile. Cost will be slightly over \$1-million.

Both the Lockheed and Disneyland systems will be the "straddle-rail" type, with inverted U-shaped cars fitting around and atop a beamlike "highway in the sky." Northrop's Gyro-Glide system, which lost out in the Century 21 race, is the suspended type, with cars riding beneath a concrete box girder containing two rails.

• **Seek Transit Business**—The monorail proponents are hopeful of capturing the big-city rapid transit system business, if it ever develops. Lockheed reports that, in addition to bidding on the Seattle job, it has "talked informally" with several cities on a full-scale monorail project. Northrop says it has had preliminary discussions with the San Francisco Bay area rapid transit system and with the city of New Orleans.

Even Walt Disney claims his Disneyland-Alweg monorail system is not designed merely as another entertainment attraction. "It will serve as a practical prototype of high-speed interurban transportation systems which could well be the answer to the growing problems of metropolitan area congestion," says Disney. He expects to show it off to Los Angeles and Detroit transit officials this month. The "Alweg" in "Disneyland-Alweg" stands for Axel L. Wenner-Gren, the Swedish industrialist who has been pursuing the monorail idea for years. His Alweg Corp. developed the monorail idea that Disneyland is installing.

• **Frustrations**—The new monorail aspirants are trying to live down several unsuccessful promotions of the idea.

In 1951, the Los Angeles Metropolitan Transit Authority was set up to study mass transportation in the area, particularly the possibilities of monorail. While interest was at its peak, no fewer than three monorail systems were being offered to the city fathers (BW—May 17 '52, p134), one of them backed by Wenner-Gren. In May, 1955, the transit authority suddenly announced it had no plan at all but should be given

enlarged powers to take over 23 privately owned transit systems in Los Angeles and three adjacent counties. It hinted that sometime in the distant future it still might think about an area-wide modern transit system, which could include monorail.

Monorail also had a brief romance in Houston and later with San Francisco transit authorities, but this too died down.

## Fight on Utility Accounting

**Federal court will hear plea by American Electric Power group to block CPA Institute's proposed method for treating tax reserves in fast write-offs.**

Balance sheets, debt ratios, and rates of a raft of major utilities may be seriously affected by an unusual case that will be heard next week in federal district court in New York. The three major operating subsidiaries of American Electric Power Co. are asking the court to make permanent a temporary injunction against the American Institute of Certified Public Accountants. The injunction forbids the institute to send out a letter clarifying its stand on the treatment of tax reserves from accelerated depreciation until the letter has been submitted to the institute's regular procedures.

Actually, the suit does not argue the merits of the institute's position, but charges that it was arrived at in an irregular fashion. Behind the dispute is the fact that AICPA policies, though not legally binding, are generally treated as a definition of acceptable accounting procedures by accountants, the courts, and such regulatory agencies as the Securities & Exchange Commission—which is currently considering requiring the same treatment of tax reserves that the institute proposes.

• **Rate Setting**—In the present case, acceptance of the institute's policy would mean that the American Electric Power group would have to transfer more than \$66-million from equity accounts to "deferred liabilities." Other utilities—including such giants as Pacific Gas & Electric, Consolidated Edison, and Cleveland Electric Illuminating Co.—would have to make similar transfers.

The utilities fear that the reduction in their equity accounts would make borrowing more expensive and their securities less attractive, at the same time that it weakened one component in the formula on which rates are based.

Behind the long-running fight over accounting procedure is the fact that when a company takes advantage of accelerated depreciation to reduce current tax payments it sets aside money

for the higher taxes it will have to pay in the future when it will have less depreciation left to charge off against income. Most industrial and commercial companies offset this temporary addition to their assets by setting up a reserve account as a liability. However, some utilities—including AEP—state utility commissions, and utility auditors call it an addition to equity, with very technical arguments to support their stand.

• **Revision**—These arguments, though, are not being brought up in the present case. Instead, it is aimed at last July's revision of the institute's Bulletin No. 44, issued in 1954 to define procedures to be used in accelerated depreciation. The American Electric Power group claims that the original Bulletin No. 44 dealt only with how fast write-off is to be treated on income statements, and didn't apply to balance sheets. However, the July revision referred to "deferred tax account." In the letter that AEP is fighting, the institute was to explain that by this phrase it meant "an account to be shown in the balance sheet as a liability or a deferred credit."

AEP claims that the reference to the deferred tax account did not appear in the draft of the July revision that had been approved by the institute's accounting practices committee, but was submitted after approval by a staff member. Now AEP asks that the phrase be run through the same procedure as any new action, which would mean the utilities would have a chance to argue against it and that approval by the whole institute committee would be needed.

• **Delay**—All this might involve a delay of considerably more than the 60-day minimum demanded by AEP. That's because the institute is even now re-vamping and enlarging its procedures for review (page 102). However, institute officials doubt the delay, for they say that the court will probably not extend AEP's injunction.



# The Seaway Opens for Business

**Traffic jam builds up as ships move slowly toward the Great Lakes with varied cargoes—even cars for Detroit.**

Newsprint for Rochester, French wines for Cleveland, grass seed for Toronto—and automobiles for Detroit. These were among the first cargoes shipped through the St. Lawrence Seaway locks.

A slow operation it proved to be. A week's postponement of the official opening on account of ice helped to create a traffic jam of ships waiting to use the locks. And only five small freighters negotiated the first westbound lock—St. Lambert (pictures)—in seven hours on opening day.

"The Seaway is no speedway," a Canadian reporter commented.

• **Variety**—More than 50 ships in passage and on the waiting list—"First come, first served" is the rule for entry to the locks—demonstrated the kind of business the Seaway will do.

Behind the icebreakers came the 36-year-old, 1,783-ton freighter *Simcoe* (facing page), headed empty for Kingston, Ont., to pick up a load of grain

for Montreal. Her lockmate, the *Prescodoc*, is taking newsprint to Cleveland. Then came another pair of Canadian freighters loaded with newsprint, one for Rochester and the other for Detroit. The ship going to Detroit will take a load of salt back to Montreal.

Fifth in line, with the first foreign cargo to travel the completed Seaway, was the 2,622-ton Dutch freighter *Prins Willem George Frederik* (below). She has been operating on the route for three years, using the older shallow locks. Her cargo includes Dutch cheeses, hams, and fish; iron bars, grass seed, French wine, and Belgian glass.

Eighth in line was the first ship that would have been too big for the old St. Lawrence channel—the 450-ft., 10,000-ton French freighter *Charles L. D.* (left). She has a load of English cars—MG's, Triumphs, and British Fords—for Chicago and, of all places, Detroit.

• **Some Drawbacks**—Seaway pilots were plainly nervous about the present 24.5-ft. navigation depth. All week they refused to accept the Norwegian tanker *Olav Ringdahl, Jr.*, drawing about 23 ft., because of her "dangerous" cargo of Russian benzol for Toledo. The ship burned fuel for days to bring her draft below 22.5 ft.



**FIRST** ship that couldn't have gone from ocean to lakes before the Seaway opened was French freighter *Charles L. D.*, loaded with English cars for Chicago—and Detroit.

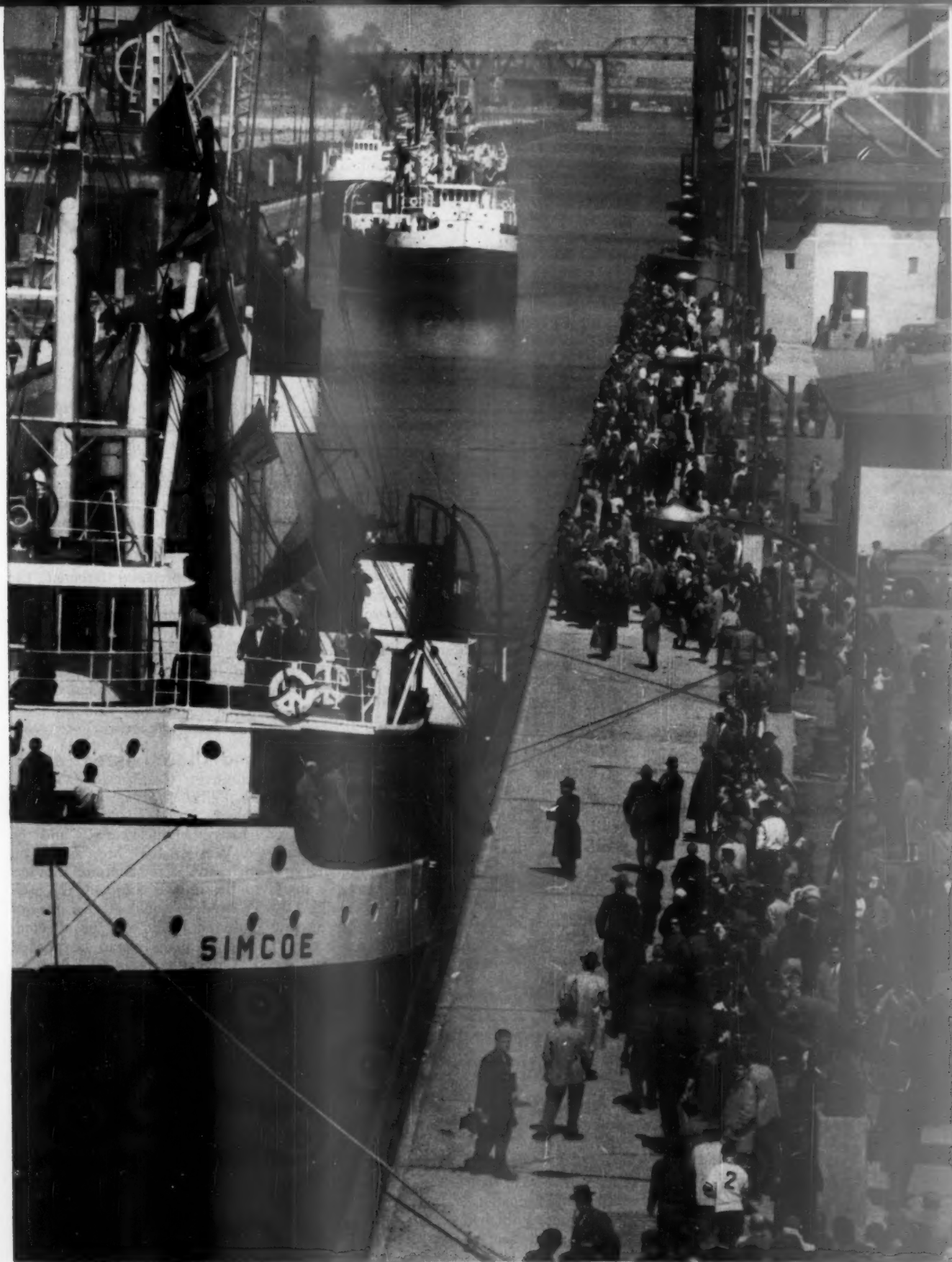


**FIRST** official trip through locks was by Canadian icebreakers *D'Iberville* (foreground) and *Montcalm*, carrying the official government party.



**FIRST** European cargo passed through Seaway on Dutch *Fjell-Oranje* Line's small freighter *Prins Willem George Frederik*.





FIRST merchant ships admitted to St. Lambert Lock were lake freighters Simcoe and Prescodoc, both flying the Canadian flag.

# In Business

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## Evans, Chairman of H. K. Porter, Takes Over Top Post at Crane Co.

After more than a year of maneuvering for a seat on the board of directors, Thomas M. Evans has gained management control of Crane Co., big Chicago plumbing manufacturer. This week, Evans was elected to the Crane board. Later the same day, he took over as chairman and chief executive officer. Pres. Neele E. Stearns resigned in the management shakeup.

Evans, chairman of H. K. Porter Co., Inc., started buying Crane stock late in 1957, but was refused a board seat. Then Bankers Life & Casualty Co. sued to get stockholder lists, supposedly with Evans' backing (BW-Mar.29'58,p36). But Bankers Life pulled out and the matter rested. Early this year, Evans teamed up with Alfons Landa, the Washington lawyer who won control of Penn-Texas Corp., to demand seats. Landa is a stockholder in Crane, but his holding is not believed to be large. The board agreed to give them seats.

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## Airfreight Carriers in Their Turn Start Edging Into the Jet Age

Last year, the passenger airlines began putting millions into new aircraft for the jet age. Now it's the turn of the airfreight operators.

Riddle Airlines last month ordered four turboprop freighters from a British company (BW-Mar.14'59,p104). And this week, Flying Tiger Line and Seaboard & Western Airlines, both all-cargo carriers, were dicker-ing with Canadair, Ltd., for \$60-million worth of CL-44 turboprop freighters. If the deals go through, Flying Tiger will get 10 of the 400-mph. planes with an option for five more; S&W will get five, with an option for five. First deliveries would be early in 1961.

The turboprops carry 40% more freight and are faster than the Super-Constellations now flown by both carriers.

Canadair is believed ready to take \$4-million of Flying Tiger's convertible debentures as a downpayment.

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## The Small Car Saga; Ford Names Its Baby "Falcon"; Dates Are Set

It's official now; a Ford spokesman this week confirmed published reports that the company's small car will be called the Falcon. To get the name, Ford had to settle with Chrysler Corp., which used it first on an "idea car" in 1955 and was considering it for the Chrysler small car.

Latest industry word on small cars has it that General

Motors' entry, the Corvair (BW-Mar.7'58,p34), will be introduced by Chevrolet about Oct. 9. Chrysler's Valiant will bow in about mid-December. The Ford Falcon is expected about a week after the Corvair.

Meanwhile, American Motors has started using "compact car" as a trademark—though not registered—name in its ads, to discourage the Big Three from using the term. Detroit publicists comment that "there are lots of words in the language," while the legal staff say "compact car" is a generic term and so open to anyone.

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## IRS Clamps Down on Slenderella, Claims \$1,235,447 in Back Taxes

Slenderella, International, whose elegant reducing salons were making a countrywide splash a couple of years ago (BW-Aug.11'56,p44), is in deep trouble with the Internal Revenue Service. IRS in Hartford, Conn., filed 90 liens against Slenderella corporations and management, claiming \$1,235,447.67 in unpaid taxes. In cities where IRS moved in, it booted customers out of the salons and locked the doors.

Flamboyant Lawrence Mack, Slenderella chief, was not available for comment. In a prepared statement, the company says it finds "little reason for the arbitrary tax collection, which comes as a complete surprise to us."

Speculation goes that Mack overexpanded. And he may have been a victim of his own promotional gifts in making fatfighting sound lucrative. Dozens of outfits rushed into the business, and some have fallen out.

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## Directors of Erie and DL&W Agree On Financial Terms for Merger

Financial terms for a merger of the Erie RR and the Delaware, Lackawanna & Western have been agreed on by the directors of both roads. Erie common holders would get 1¼ shares in the unified company for each share they hold; DL&W holders would receive one for one. Status of Erie preferred would not be affected.

Both roads said the merger plans would be pushed with all possible speed. Originally, their talks had included the Delaware & Hudson (BW-Nov.29'58p47), but the D&H dropped out when no financial agreement could be reached.

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## Alaska Covets Biggest Power Dam

The biggest state is trying for another "biggest"; Alaska's Sen. Ernest Gruening is battling for a Rampart Canyon dam on the Yukon that would deliver 2½ times as much power as Grand Coulee's 1.9-million kw. installed capacity. Alaskans say the power would be cheap at around 2 mills, and the dam would create a lake so large it would even improve the climate.

The estimated cost is upwards of \$1-billion; right now, the Senate Public Works Committee is asking \$135,000 to start a three-year, \$1-million study. Then design would take two years, and building another eight.

# Steel Talks Start Under Cloud

**Prenegotiation recriminations, pressure of public opinion have created a tense, belligerent atmosphere for negotiations.**

On Tuesday, steel management and labor will open a tense and critical 57 days of negotiations. They could lead to a new contract and union peace in basic steel mills this summer—or they could end, stormily, in a virtual shut-down of national steelmaking.

Nobody can say, today, just what the outcome will be in the most important contract negotiations of the year. But, this much can be said: The negotiators who will meet in New York on Tuesday, May 5, will do so with less mutual understanding than they have shown in past steel bargaining.

• **Tougher Positions**—Attitudes are harder this year on both sides of the bargaining table. The industry and the United Steelworkers disagree basically over issues—productivity included—that would have substantial impact on steel costs. These will be hard to compromise. Further, negotiations will get under way after a public campaign of charges, countercharges, and recriminations. Smiles and handshakes for press photographers and television cameramen on Tuesday may seem to belie this. Nevertheless, it is true. A key man in the union negotiating team, Arthur Goldberg, USW's general counsel, acknowledged as much in an address in Chicago last week, saying that it is "terribly unfortunate" and "terribly to be regretted" that negotiations will begin "on a scene of mutual recriminations."

• **Brighter Side**—On the other hand, and more optimistically, steel bargaining has never got under way with more recognition of the public responsibility of the negotiators. There is no agreement on how it can be done, but there is a deep awareness in industry and USW that:

• A settlement must be worked out, somehow, that will not carry serious inflationary threats.

• The steel industry ought not to shut down at a time when the international situation could be approaching a crisis point in Berlin and Iraq and the Middle East oil countries.

Despite their posturing and tough talk, the men at the bargaining table in a New York hotel suite will be conscious of these two points. Their ultimate decisions undoubtedly will be influenced by the necessity for accommodating their prejudiced bargaining views to public needs.

This will not necessarily mean there won't be a strike; nor does it mean clearly noninflationary settlement terms. It does mean that both parties at the negotiating table will be thinking of a possible adverse public reaction to every industry or union bargaining position.

• **Intervention?**—The parties will be aware, too, that the shadow of the government is already on the steel negotiating table—and will lengthen over it if contract talks drag or head in the wrong direction in the next 57 days.

Congress (page 22) and the Administration are moving toward possible direct intervention in the negotiations if they feel that it is necessary to ensure a settlement in the public interest.

## I. The Negotiators

The men who will enter the steel bargaining room under these conditions on Tuesday, for tense and wearisome talks, are veterans. They have skirmished and fought many times in the past, in similar hotel rooms over other steel contracts.

There will be one important change. R. Conrad Cooper will be the key man among the industry's negotiators, representing U.S. Steel. Cooper, 56 next June 15, succeeded John A. Stephens, who retired last year as executive vice-president in charge of personnel services for U.S. Steel. Now, Cooper must assume the highly influential top position in the industry's negotiating committee. But, he is no newcomer in steel bargaining. He has been involved in it since 1937.

• **The Committees**—Other members of the industry committee are R. Heath Larry, administrative vice-president, U.S. Steel; John H. Morse, Bethlehem Steel; and H. C. Lumb, general counsel, Republic Steel Corp.

An advisory group of officials of 12 other steel companies will be in New York to work with the industry committee but will not sit in on the negotiations.

David J. McDonald, president of the United Steelworkers, as head of the union negotiating committee, will be Cooper's counterpart. Goldberg will be an important aide, close by his side. Others on the USW team are Howard Hague, vice-president, and I. W. Abel, secretary-treasurer.

Both industry and union committees will be backed up by staff aides and technicians. As negotiations progress, subcommittees will be set up to work on specific bargaining problems.

• **Big Steel's New Man**—At 55, U.S.



**KEY MAN** for industry during steel bargaining will be U.S. Steel's R. Conrad Cooper.

Steel's R. Conrad Cooper is a good-looking 6-ft. 14-in. 192-pounder—the same weight as when he was heavyweight boxing champion for two years at the University of Minnesota and played center for three years on its football team, although his training for years has included nothing more strenuous than golf. He has lost about half of his hair, now all gray. Freckles stand out where it once grew. His pink cheeks crease when he smiles, which is often, and deep wrinkles form around his brown eyes.

Like McDonald, Cooper is an immaculate dresser, partial to ensembles of a single color from tie to shoe. But, unlike the USW chief, he always looks relaxed and comfortable; his clothes take a beating because he sprawls and stretches, no matter where he sits.

McDonald is seldom seen in public without his pipe; Cooper is a chain cigar smoker.

• **"We Get Along"**—Cooper has been involved in negotiations with McDonald off and on since 1945, so the two



**"... according to McDonald, if there's a strike this year, it could turn out to be a dilly. . ."**

**STEEL starts on p. 29**

men know what to expect from each other. "We get along," says Cooper.

Generally, union leaders respect his ability, although some call him dictatorial. One explained recently: "Coop always goes in a straight line; he never deviates, the way a lot of industrial relations people do. He'll give you a yes or no answer when he can—and he'll stick to it."

In view of his role in the coming bargaining, it's interesting to note that some union leaders have coined a word, "Cooperized"—which they define as a state of being lulled into believing you are getting something when you aren't.

• **Cooper vs. Lewis**—One of the most popular stories about Cooper and bargaining involves a run-in that he had with John L. Lewis in a steel company captive coal mine case many years ago. Cooper, who is by nature soft-spoken, managed to interrupt the bellowing Lewis, who notoriously isn't.

"Young man, you seem belligerent," said Lewis, shouting and angry. Lewis invited Cooper to go out in the hall with him to settle things. Cooper agreed. But Lewis resumed his testimony after commenting to the chairman, "This is a personal matter and it has been adjusted."

At the time, Cooper was a specialist on wage inequities, incentive plans, and job evaluations. Through the years, he is credited with reducing the industry's complex structure of 1,000 job titles to 32.

• **USW's Top Negotiator**—McDonald was the chief lieutenant of the late Philip Murray before he succeeded him in 1952, as president of the United Steelworkers. He negotiated an 8½¢-an-hour raise for the union in his first try, a few hours before a strike deadline. At the time, many with a close interest called the terms an industry "investment" in McDonald, known as a leader with a firm belief in a doctrine of mutual trusteeship.

Now, however, McDonald charges that the steel industry is out to ruin him and that it advocates a strike. His belligerence is a sign of the changed relations in the industry since the days when McDonald and Benjamin F. Fairless, then president and chairman of U.S. Steel, toured the corporation's mills together in the interest of improved labor-management understanding and cooperation.

McDonald, who once had stage and movie aspirations, learned trade unionism and bargaining under two of the shrewdest men in the field, Lewis and Murray. Although he has had little ex-

perience in mills—a fact that reacts against him in the rank and file of his union—he is a veteran of rugged strikes in the coal and steel industries.

These have taught him, he says, that every effort should be made to resolve disputes peacefully, through collective bargaining. He hopes that can be done this year. But he adds: "If the industry insists on a long strike, I guarantee that the United Steelworkers will give it to them."

The union shut down the industry for a few hours in 1955 in a costly and needless walkout. It shut it down again in 1956, for 34 days. According to McDonald, if there is a strike this year, it "could turn out to be a dilly."

## II. The Negotiations

The present steel contracts expire at midnight on June 30. Actually, the industry will press for a decision at least three days before that. That makes June 27 the important date to keep in mind.

Here's why: It normally takes about three days to close down the steel mills without risk of expensive damages. Mills must begin running out the metal in process, loading blast furnaces with coke, and sealing them to minimize the possibilities of cool-down harm to millions of dollars worth of installations.

So, on June 27, the industry must assess the likelihood of a strike; if it feels there is the barest chance that a walkout will occur, it will start shutting down.

• **Costly Procedure**—It's expensive to close down the industry's mills and to open them again after a strike. The cost mounts up into the millions of dollars, without counting in damages that might occur despite safeguards.

So, barring an unexpected early settlement, bargaining will reach a climax sometime in the period between June 20 and June 27. If steel operations once taper off to a shutdown, the industry's position can be expected to toughen substantially.

Many steelmen sharply criticized industry negotiators in 1955 for settling after an extravagantly expensive half-day strike; they felt that, with operations shut down, industry negotiators should have taken a tougher stand against concessions to USW.

• **First, Sparring**—The opening stage of bargaining, after next week's formalities, will involve sparring—feeling out the sincerity of management and union demands and rejections of demands.

Both parties will have long lists of

what they want, and say they must have.

This week, USW's 170-man wage policy committee assembled in New York to ratify the union's demands. It was only a formality. The demands had been drafted, although not publicized, much earlier this year. The meeting simply afforded the union an opportunity to sound off more impressively on its bargaining goals.

Although wages, as always, will be an issue this year, USW's interests are centered largely in "fringe" gains—a medical program fully paid for by the companies, pension increases, new refinements in the supplementary unemployment benefits program negotiated in 1956, and vacation and other plans defended as spread-the-work devices.

There's a growing feeling in union leadership ranks that USW might make more of a gain, this year, in welfare concessions than in hourly pay—and at the same time avoid wage-inflation charges.

• **Early Resistance**—Management will resist any increases—in wages or fringes—that would boost steel employment costs. It intends to concentrate this year on total labor costs, not merely wages. In recent years, the rate of increase in nonwage costs has been substantially higher than in direct wage costs.

Asked recently whether prices would have to rise if labor costs go up, an industry insider said the management position is that neither wages nor prices should go up. Could the industry absorb a wage increase this year?

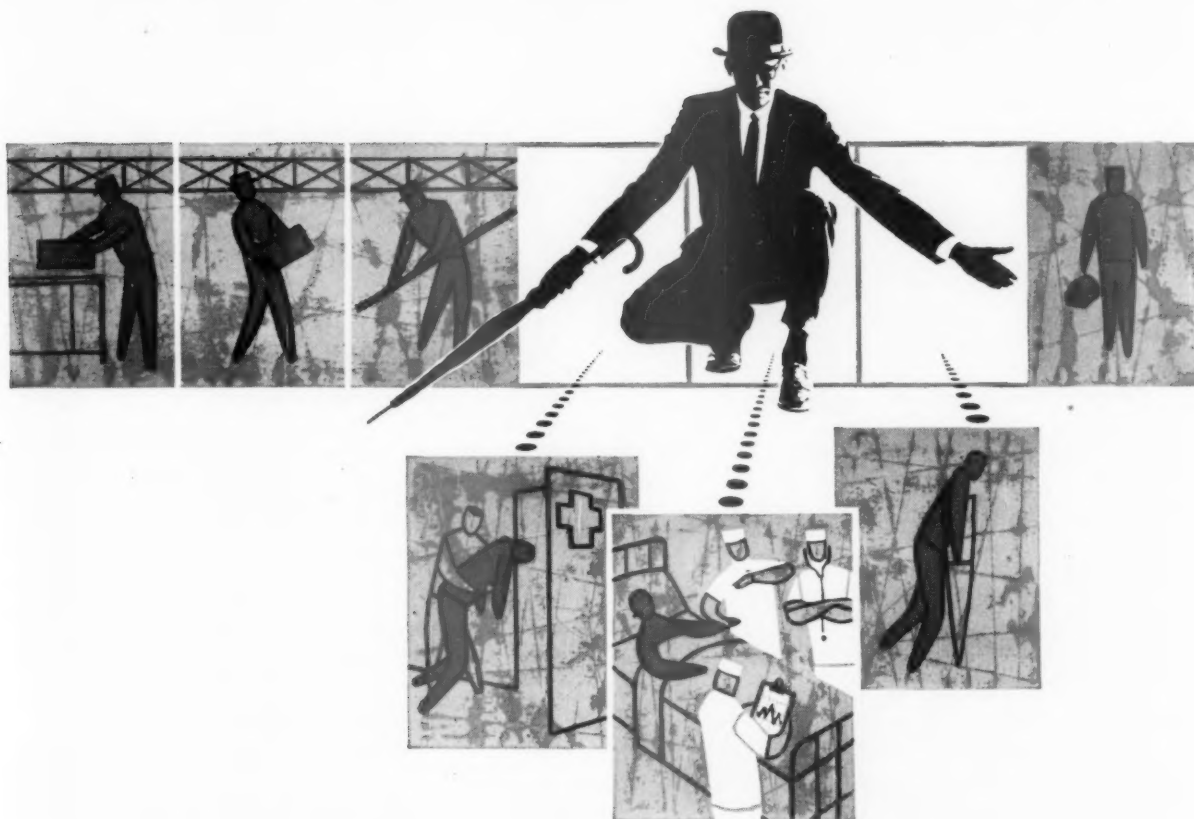
"Well," he said, "you can't bargain realistically on the basis of one year's financial reports. If we had absorbed all wage increases since 1946, we would have operated at a cumulative loss of \$35-billion and gone bankrupt long ago." Besides, he added, it must be kept in mind that many steel companies made little or no profit in 1958, and "we're bargaining for the whole industry, not just the big companies."

Negotiations may go on in such a way, inconclusively, for weeks without real give-and-take bargaining on key issues. Productivity rates, company profits, the effect of wage increases on prices and the inflationary spiral, all will be debated—while staggering piles of documentary "evidence" accumulate. It probably will be a month, possibly longer, before the bargainers get down to brass tacks.

• **Then, Earnestness**—The serious bargaining will take place in June, toward the middle of the month. That's the period marked in warning red on calendars in government offices in Washington. It's then, more than any time before, that definite signs indicating a settlement—or a strike—may begin to appear. **END**



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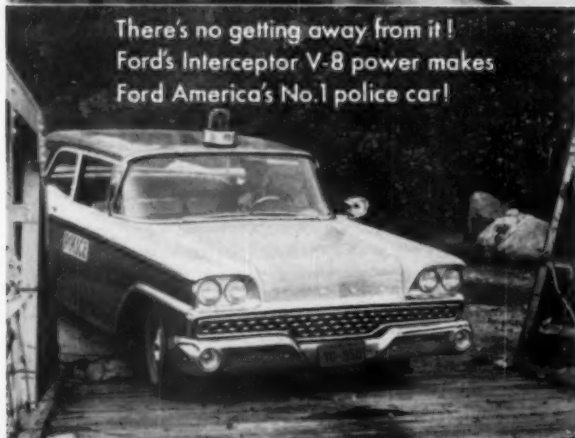
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# WASHINGTON OUTLOOK

WASHINGTON  
BUREAU  
MAY 2, 1959



## **Take a look at the mail congressmen are getting from home.**

Letters from the voters to members of the House and Senate reflect, to a considerable degree, the feeling of the public about issues of the day. They also influence many decisions that Congress makes. A sampling during the past week helps explain why the big spending plans launched by the Democratic House and Senate in January now are bogged down.

**Pres. Eisenhower's balanced budget stand** has considerable support. Mail is fairly heavy on this, although a portion of it is inspired by organized campaigns. Still, Democrats in the House and Senate are getting enough mail from rank-and-file voters to back off a bit on spending.

**Anti-inflation mail** also ranks high in the sampling. There are many letters from housewives asking that Congress do something to protect their household budgets from rising prices. Many of these complain about high profits, with no price cuts.

**Gripes about high taxes** are relatively light. The biggest tax demand today is for repeal of the Korean excise rate on telephone bills. This reflects the companies' campaign against the tax.

**There's much support for a cut in foreign aid**, despite the fact that Eisenhower has repeatedly warned that his \$3.9-billion request is essential in the cold war. Letter after letter suggests that this money should be saved, either for welfare programs here at home or to provide a cushion for a future tax cut.

**Unemployment mail is heavy, but spotty.** It comes mostly from Detroit and a few other hard-hit industrial centers. It also shows from the depressed coal and railroad areas of West Virginia, Kentucky, and Pennsylvania.

**Farmers are heavy complainers**, especially in the West and Southwest.

**They don't like Benson**, the Agriculture Secretary. This was clearly reflected in the House and Senate battle to override Eisenhower in his veto of the bill that would strip Benson of authority to pass on loans made by the Rural Electrification Administration.

**Eisenhower's veto is a vote of confidence in Benson.** That was the real significance of the President's action. The bill bore a Democratic label. But among its most ardent supporters were a lot of Midwestern Republicans who would like to see Benson fired and, knowing they can't get his job, take delight in taking political potshots at him.

**The farmers also shoot at Labor Secy. Mitchell.** They oppose his proposed federal regulation of wages, housing, and transportation for migratory workers. They see these as measures that would add to their operating costs at a time when farm prices again are threatened with a downtrend.

**Opposition to the Tennessee Valley Authority** shows strongly in mail from private power interests in the Southeast. They fear that legislation allowing TVA to raise its own expansion money through sale of bonds will mean more intensive competition of the government power company.

**On Kennedy's labor reform bill**, mail is light. Members find this hard to explain. The McClellan committee in the Senate has demonstrated that

# WASHINGTON OUTLOOK (Continued)

WASHINGTON  
BUREAU  
MAY 2, 1959

major segments of union organizations are dominated by the racketeers. But there's no great demand in the mail for a crackdown. The end result may be no labor legislation this year.

**Eisenhower is disappointed.** He said this week that the bill is soft on secondary boycotts and "blackmail picketing." He would like to see the House put some strength in the measure. He favors the original "bill of rights" for union members proposed by McClellan (page 19).

—●—  
**Eisenhower is irritated at the Democratic Congress.**

**On spending, he figures he has Congress stopped.**

**But he is being heckled on appointments.** You have followed the delay in confirmation of Adm. Strauss as Commerce Secretary. The fight on Clare Booth Luce as ambassador to Brazil made the headlines. Many lesser appointments are pending—more than 70. It's one of the biggest backlogs any President ever had.

—●—  
**Eisenhower will take his case to the public.** He isn't too much upset by the political heckling he is getting from Congress. But he is worried that his hand may be weakened abroad by the facts that (1) he is a lame duck President with less than 20 months to go, (2) he lacks cooperation from Congress. He feels he still is strong with the voters. And he will ask the voters to turn the heat on Congress.

—●—  
**Business thinking came to Washington from two sides this week.**

**At Hot Springs, Va.,** the Business Advisory Council—private executives who keep government advised of their hopes, estimates, and plans—held its spring meeting.

**Here in Washington,** the U. S. Chamber of Commerce held its big annual meeting—listened to government men, from Eisenhower down, and talked to government men. The big question, of course, was the trend.

**Business is optimistic.** No doubt about that.

**The current uptrend will run through next year.** Nearly everyone agreed on that. And next year is a Presidential election year.

**There's great concern about inflation.** Most members at both sessions accepted the idea that steel wages will go up and that a rise in steel prices will follow—if not immediately, over the next 12 months.

**Politics figured in all the discussions.**

**On the Republican side,** Vice-Pres. Nixon was the man with the most backing among businessmen. But there was great interest in New York's Gov. Rockefeller. He's considered a sure challenger, but there's much concern about his "liberalism."

**On the Democratic side,** Johnson of Texas, the Senate leader, shows up with most business support. But backers doubted he could get the nomination. The next selections: Symington of Missouri, and twice-licked Adlai Stevenson.



## Jessop Steel Acquires Steel Warehousing Corp.

Rackley Board Chairman  
Of This New Subsidiary

Jessop Steel Co. of Washington, Pa., a leading producer of specialty steels, has acquired Steel Warehousing Corp. of Chicago, a large Midwestern warehousing operation.

Frank B. Rackley, president of Jessop, will become chairman of the board of the subsidiary firm. A. J. Kueber, president of Steel Warehousing, said his company will be operated as a wholly owned subsidiary of Jessop and that no change in personnel is contemplated.

"In joining with Jessop, we now have available the necessary capital to get under way immediately with an expansion program to better serve our customers in Chicago and the Midwest," Mr. Kueber said.

"Jessop already has agreed to spend two million dollars to increase our warehouse storage and expand our Broadview installation."

Steel Warehousing has facilities in Chicago and Broadview, Ill. It warehouses stainless and carbon sheets and plates and a wide range of structural shapes and specialty steels.

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**With Jessop, you're dealing with success.** Although it's only two years since the acquisition of Green River Steel, Jessop now adds Steel Warehousing of Chicago. Already a two million dollar expansion of warehousing facilities is underway.

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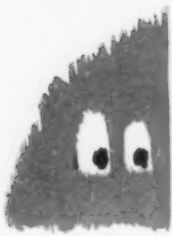
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# Why Congress' Big

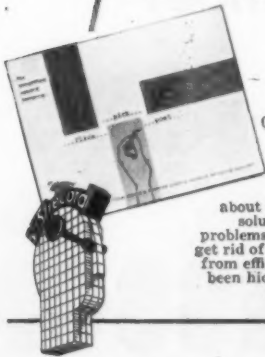
**Facing White House veto power, Sen. Johnson has to avoid clash but build a party record; this keeps legislation tame.**



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The 86th Congress, product of a 1958 Democratic landslide that rolled across the continent from Maine to California, has been in session four months.

In the two-year life span of a Congress, four months is a fairly long time—enough, certainly, for manifestation of character traits. The surprising thing that has shown up in these four months is that, as Congresses go, the 86th is no legislative swashbuckler. It is surprisingly tame.

It may seem paradoxical that the 86th, with all the benefit of the most lopsided Democratic majorities of the past two decades, is merely serving up a series of warmed-over legislative concoctions for such things as labor reform, housing, urban renewal and slum clearance, airport construction, and unemployment, both short- and long-term.

The apparent paradox becomes even greater when you realize that the new Democrats, almost to a man, came to Washington with the stamp of approval of the liberal left. And these men now occupy the places held only a year ago by a Knowland, a Jenner, a Bricker, a Malone—to mention but a few examples.

• **Limits of Power**—Why should the 86th Congress, with its massive influx of new liberals, bear so much resemblance to its predecessor?

The answer lies in an ancient, honored political truism that says Congress cannot, in fact, run the country—even if it happens to be a virile legislative body facing a not particularly strong President.

Few understand this better than the most powerful individual in Congress, Senate Democratic Leader Lyndon B. Johnson (cover), a restless 50-year-old dynamo of a Texan.

• **Tightrope**—In a situation where the legislative-executive relationship could easily deteriorate into shambles, Johnson guides the 86th on a delicate course. The object: to avoid being obstructionist to the Republican Administration while simultaneously building a legislative record strong enough to provide support for Democrats in 1960's national elections.

Johnson's view, which strongly affects the Congress, is that it is better to compromise and obtain something than to stand stubborn and unyielding when the likely result will be nothing but acrimony.

The picture has many parts, something like a jigsaw puzzle. From his seat of power in the legislative branch, Democrat Johnson looks up Pennsylvania Avenue to the White House, where sits Republican Pres. Eisenhower at the pinnacle of the executive branch.

## I. The Leadership Task

A stern political reality confronts Johnson. Eisenhower possesses the veto. That makes the President, hands down, the winner if Congress chooses to use bulldozer tactics. Even if he can't have what he wants, or a reasonable facsimile, from Congress, the President can at least stop a lot that he does not want Congress to enact.

In recent months, the nation has seen a classic example of what White House occupancy is worth. By adopting a tough attitude and then sticking to it, Eisenhower has put the 86th Congress on the defensive with one big issue. That, of course, is spending.

• **Coalition**—But there is more to the complex picture. Inside the two big blocs labeled Democrat and Republican, Congress divides into many segments. The effect of this can be clearly demonstrated by two major legislative encounters this year that cast a long shadow over the future.

In one case, 16 Democrats (all Southerners) joined 30 Republican senators against the Democratic \$389-million area redevelopment bill. The measure passed, but the 49-to-46 vote exposed it as an extremely vulnerable target for veto.

In the other, a conservative coalition of House Republicans and Southern Democrats almost succeeded in killing the Democratic airport construction bill and substituting Eisenhower's less costly measure.

The lesson is clear. The coalition of conservative Republicans and Democrats—although weakened considerably in 1958—still holds considerable negative powers. It cannot write the legislative ticket, but this informal alliance—a minority of the majority Democrats and a majority of the minority Republicans—is a real force.

• **King Veto**—Johnson sums up the prospect. “For at least another year and a half,” he says, “every proposal must leap at least two hurdles. First, it must find a majority in Congress. Then it must somehow secure the approval of the executive, or at least get a two-thirds vote to override vetoes.”

Proceeding then to the heart of the matter, Johnson—as he put it in a little-noticed speech at the AFL-CIO unemployment rally—makes the crucial

# g Majority Still Can't Run Country



Every week, Sen. Lyndon Johnson and eight other members of Democratic Policy Committee thrash out issues at luncheon here. Where policy is made for the Senate

. . . And the man who makes the policy  
Sen. Johnson, majority leader and chairman of policy group (left), heads for meeting with Robert G. Baker, secretary for Democrats.

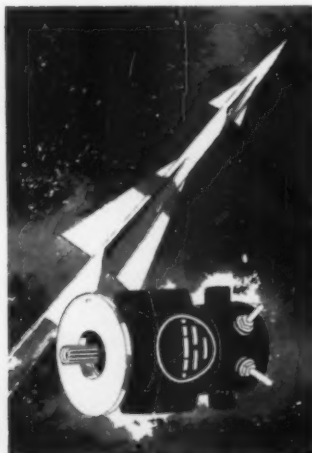




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SEN. JOHN L. McCLELLAN enters dining room to argue for his tougher labor bill.

admission: "When government is divided, the veto can be king."

After a period of uncertainty, this bit of realism has attained general acceptance. A 10-year Democratic veteran of the House, in the week the 86th opened, said: "Keep your eye on these new guys. A lot of them made so many promises to get elected, they can hardly wait to start voting. They'd give away the Capitol dome." By last week the same Democrat lolled back comfortably and observed, "The bloom has gone off that rose."

• **Pattern**—Thus is established the pattern of Congress for 1959—a pattern of compromise and accommodation, whose degree of flexibility will vary from issue to issue. For example, the Democrats will compromise a great deal on funds for airport construction assistance, but they will be much less yielding about such things as slum clearance, public housing, and urban renewal.

Much depends, also, on whether and how much Eisenhower will find it expedient to give, in order to maintain the uneasy truce with the Democratic leadership. Each side will probe and push, threaten and bluster, in quest of the fullest advantage.

## II. The Artful Politico

Lyndon Johnson is the man on whom Democrats count most heavily to show the route to accomplishment in the face of prohibitive odds.

Operating from a broad base of power, Johnson goes about his job with political skill that, although not universally applauded, is conceded even by his detractors. Besides being a senator from Texas, he is chairman of the





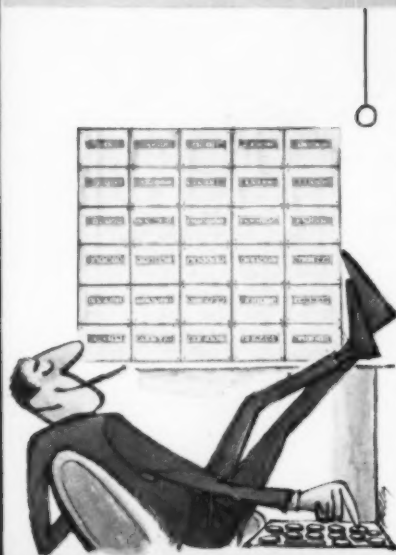
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CO-SPONSORS Sens. John F. Kennedy (right) and Sam Ervin argue for labor bill.

Committee on Aeronautical & Space Sciences, a member of the Appropriations and Armed Services Committees, and, most important, floor leader of the Senate Democrats and chairman of the majority's Policy Committee.

In all, Johnson has most to say about which committees new or junior senators are assigned to, about the schedule for bringing legislative items to the floor. And when the occasion demands, he can exercise a subtle regulation over the actual floor proceedings.

To these credentials, there must be added certain intangibles—his long and warm friendship with Speaker Sam Rayburn, a fellow Texan who is boss of the House; an ambition for power, coupled with pleasure in its use and appreciation of its limits; and, not the least important, a knack for quick adjustment to shifting political breezes.

• **Drive**—Despite a massive heart attack that almost killed him in 1955, Johnson drives himself and his staff at a tyrannical pace.

Complaints about his leadership, from a handful of the most extremely liberal Democratic senators, are more noisy than significant, for the moment, at least. His critics in the party accuse him of presiding over the Senate with the air of an autocratic landlord, of frustrating Congress' most liberal tendencies, and of being a mere "Charlie McCarthy" for the White House.

• **Close Harmony**—In actual fact, Johnson and an easy majority of the Senate Democrats are closely attuned—especially since the balance of Democratic power shifted dramatically westward in 1958. Johnson was perhaps the Democrats' most energetic traveler through the West in the 1958 campaigns, and



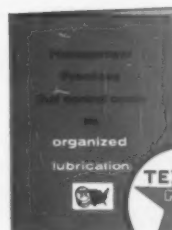
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A major cause of revolution: the growth of bank check processing from a whopping 10 billion checks in 1958 to an estimated 20 billion in 1970.

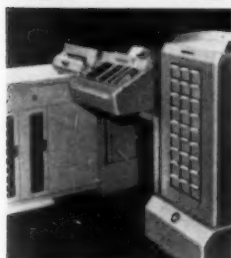
Taking dead aim at this situation some years back, Burroughs came up with the now widely adopted answer: a complete

range of systems built around a comprehensive, integrated line of automation equipment. The systems are designed so that the banker may fully automate his bank right from the start or progress a step at a time from imprinted coded checks that simplify check handling to electronic bookkeeping or to completely automatic data processing on Burroughs proved electronic computer systems.

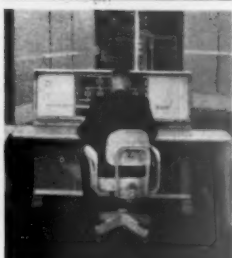
### Here, There, Everywhere

The completeness and advanced state of Burroughs data processing is evidenced in hundreds of other businesses, too. Burroughs electronic computer systems are busy in such varied industries as petroleum, insurance, electric power, aircraft manufacturing, retailing and chemicals.

A major factor in the far-ranging achievements of Burroughs data processing: the power of the firm's all out research, with thousands of scientists and technicians now intently focused on



*Proving*



*Electronic Computation*



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Fresh colors and textures, custom-tailored to fit any designer's imagination, are on tap at National Steel for the appliance industry and many others.

For National, through its new Enamelstrip Division, is opening an age of fresh product appearance and cost savings. How so? Through two lines of beautiful pre-coated steel in coils. One: steel with enamel coatings in almost every color imaginable. The other: steel with laminated vinyl coatings in an almost limitless variety of colors, patterns and textures—every one of them with high resistance to abrasion, fire, scratching and stain.

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NATIONAL STEEL CORPORATION, GRANT BUILDING, PITTSBURGH, PA.



"... the new Western bloc holds the balance ..."

CONGRESS starts on p. 36

he has the loyalty of the bumper crop of new senators on most issues. He took good care of them in committee assignments. And he is popular with them because, in the first place, he helped them get to Washington.

Oklahoma's Sen. Mike Monroney credits Johnson with "the major role" in Democratic resurgence in the West.

• **Juggling Act**—Because of its size and its flexible attitudes on most social issues, the new Western bloc holds the balance of power in some key situations. Johnson, who has moved perceptibly away from the Southern Democratic group, has now cast his lot with the Westerners and is exploiting this unit of power effectively.

It is a political juggling act. In one instance the Westerners earn Southern gratitude by moderating a bipartisan Eastern-Northern liberal attempt to write tough new anti-filibuster rules as a prelude to tougher civil rights laws.

The Johnson-led Westerners, in another case, go to the aid of Northerners and Easterners by voting almost as a solid bloc for king-size public housing, urban renewal, and slum clearance authorizations in the omnibus housing bill passed by the Senate.

• **Tactician**—In a maneuver that typifies his ingenuity as a tactician, Johnson is trying to veto-proof the area redevelopment bill—obviously in mortal danger as a result of its slim 49-to-46 margin in the Senate. He got the Senate to vote unanimously for creation of an 11-man commission to study unemployment where it is worst and send the proposal to the House.

Five members would be appointed by the President, six by Congress, and the group would have to report back before Congressional adjournment. Johnson's strategy is to involve the White House in an enterprise that may endorse the area redevelopment concept as one step toward curing chronic unemployment. This would, of course, make a veto more difficult.

• **Quietly Hopeful**—As Presidential politics warms up for 1960, the Johnson type of skill enjoys increasing admiration among Democratic professionals. His name appears on almost every list of possibilities. Nevertheless, any realistic appraisal of candidate standing would have to put Johnson well behind twice-beaten Adlai E. Stevenson and Sen. John F. Kennedy, probably even after Sens. Stuart Symington and Hubert Humphrey.

Johnson makes appropriate disclaimers about Presidential ambitions, but there are signs—among them, his big



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BWL

and still-expanding staff of aides and a busy travel and speaking schedule—that he considers himself in the running.

• **Delaying Tactics**—The political wisdom of compromise and accommodation is doubted by the minority of Democrats, who would like to meet Eisenhower head-on. One of them says: "There would be blood on the floor, and I guess most of it would be ours—not the Administration's. But at least there would be some clear lines drawn on what's Democratic and what's Republican."

Early in the year it looked as though Congress and Eisenhower would quickly collide on the spending issue. Indeed, by February, Johnson had pushed the airport and housing bills through the Senate and was applying pressure, through old friend Rayburn, for the House to move faster.

The intention was to deposit one or both on Eisenhower's desk before Easter. Now, a month past the spring holiday, Eisenhower has yet to see either bill.

### III. The Coalition Arises

What happened was that the old Southern Democrat-Republican coalition revived, and where there had been doubt before about the ability to override a veto, the prospect of failure became a certainty. In this situation, the leadership chose—rather than to rush headlong to defeat—to maneuver, using time as one weapon.

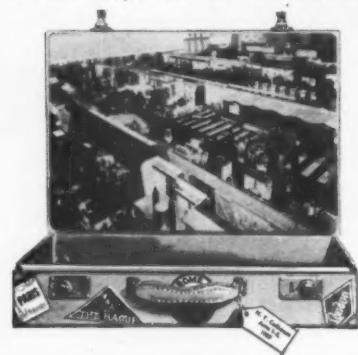
A series of things helped the coalition's revival:

Congressional Republicans, demoralized by November's losses and quarreling among themselves, have pulled together. The "Old Guard" in the Senate has given liberals more recognition, including sacrificial moves to let new and junior GOP members have seats on choicer committees. In the extreme case, Illinois' Sen. Everett McKinley Dirksen, minority leader, went so far as to surrender voluntarily a coveted seat on the Appropriations Committee.

White House liaison with Republican politicians has improved. GOP congressmen find the President more accessible, and take heart from his determination to stand fast behind his budget. In turn, he gets more aggressive leadership on Capitol Hill. Minority Leader Charles Halleck of Indiana helps in the House, where personal relations between White House liaison officers and former leader Joseph W. Martin, Jr., had deteriorated to the breaking point.

In the Senate, Dirksen goes down the line for Eisenhower's program, behaving like the President's floor leader who happens, incidentally, to be a senator from Illinois. His predecessor, the in-

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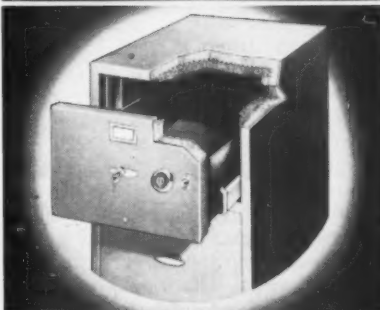


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## Manufacturer's Manufacturer



Eagle-Picher purchased Ohio Rubber Company in 1952 with plants in Ohio, Pennsylvania and California.



Chemical compounds from lead and zinc are among Eagle-Picher's hundreds of products. (Joplin, Missouri Plants)



Mountain of diatomaceous earth being mined by Eagle-Picher in Nevada.



Free-flowing fertilizer made with Celatom (diatomaceous earth).

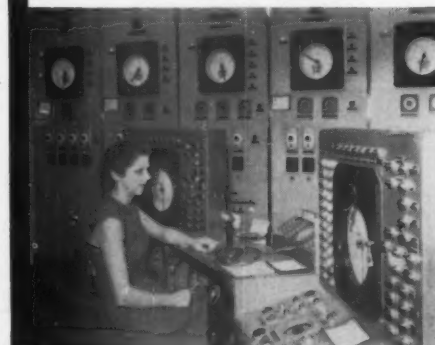


Pre-fab Lusterlite service stations made by Chicago Vitreous.



Special Purpose Batteries developed by Eagle-Picher power the electrical systems of guided missiles and rockets.

Automation mixing of rubber compounds at Ohio Rubber.

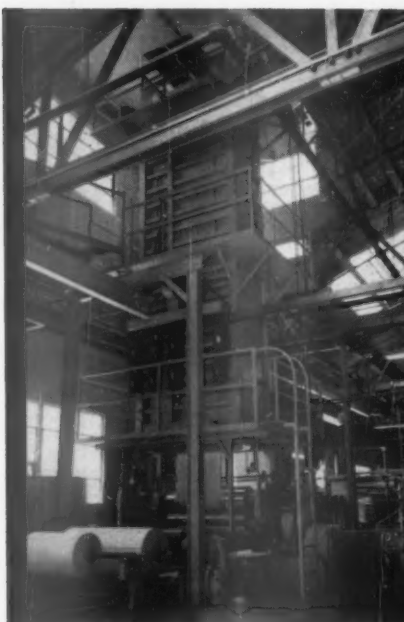


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**CHICAGO VITREOUS CORPORATION DIVISION**—Porcelain enamel frits for home appliances, plumbing ware, lighting fixtures; architectural paneling; all-porcelain enamel service stations (Lusterlite Corporation.)

**FABRICON PRODUCTS DIVISION**—Automotive parts; custom impregnated papers, textiles and glass cloth; packaging materials of plain and printed waxed paper, printed cellophane and polyethylene.

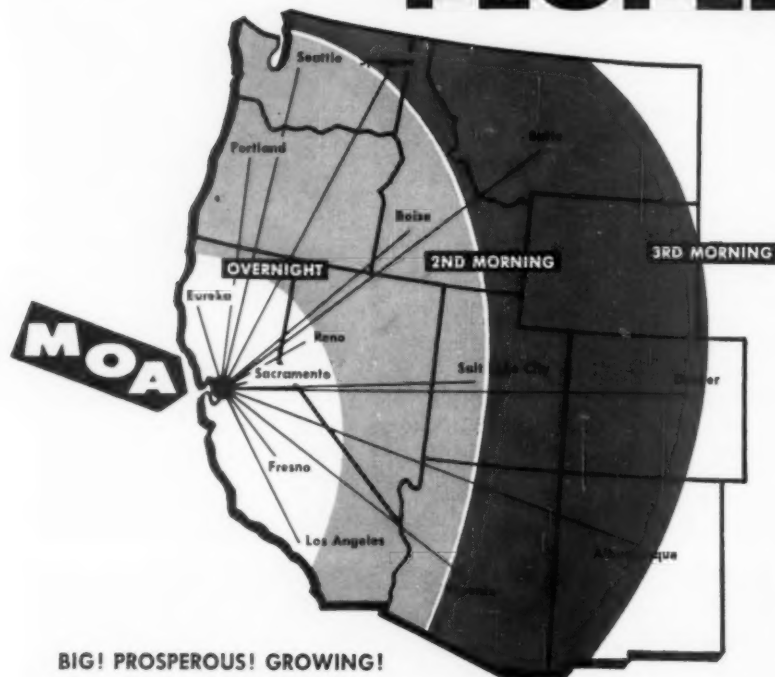
**INSULATION DIVISION**—Mineral wool insulations . . . cement blocks, blankets, felts; aluminum storm enclosures; diatomaceous earth products . . . filter aids, aggregates, absorbents, catalyst supports.

**MINING AND SMELTING DIVISION**—Slab zinc, chat, cadmium, germanium, silicon, zinc concentrates, lead concentrates.

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dividualistic William F. Knowland, went his own way, performing as a senator from California who, incidentally, happened to be Eisenhower's chief agent in the Senate.

Then there is resentment among Southern Democrats. They feel their party has deserted them on civil rights, their biggest issue.

Finally there is the fact that spectacular Democratic gains in the West last year do not extend in full measure to the House. Because the West is sparsely populated except in California, it contributes relatively few House members. The coalition's near-success in the effort to kill the Democrats' airport bill in the House demonstrates that the lower body is more conservative than the Senate.

## IV. What About 1960?

Next year's Congressional story may be quite different. After all, 1959 represents but half the 86th's life, and in the fall of 1960 the entire House, one-third of the Senate, and the Presidency go on the political auction block.

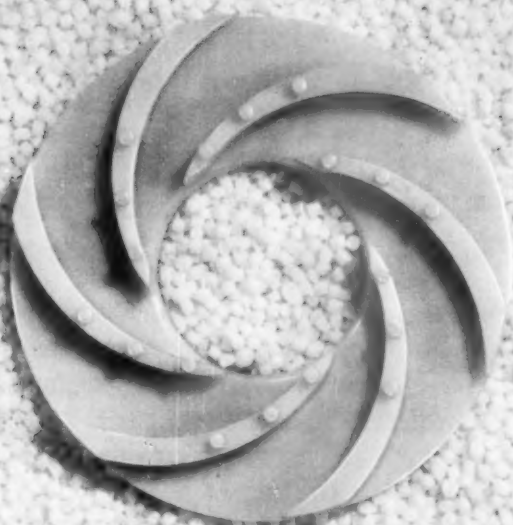
As an outgoing President, Eisenhower will find his political strength at an all-time low. The latent Democratic urge to get on with staking out a sort of new New Deal will be much stronger. Republican ranks, now relatively disciplined, will almost inevitably weaken.

At this distance, it seems that chances are greater for legislative passage next year of such things as a higher minimum wage, a school construction-teacher pay bill, Social Security changes to provide medical benefits for the retired, and large-scale water development and conservation.

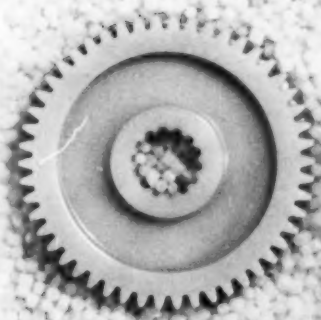
• **Big Play**—It may sound incongruous, but one more point needs making. Business recovery is continuing after the 1957-58 recession. Normally, a Congress under such circumstances would be willing to let well enough alone. But the 86th is concerned about the economy—perhaps more than any since the 1930s. A Johnson-inspired depth study of the national economy—just now being undertaken by Chmn. Paul Douglas and the Congressional Joint Economic Committee—may turn out to be the 86th's big contribution.

There are no limits to Douglas' examination of the economy, no signs of what courses it might wander into. But its intent is clear—to find an answer to the riddle of how the economy can grow fast enough to support full employment without creeping inflation. Democrats are betting, in effect, that a way can be found and that, in retrospect, the incongruity of their position—advocating bigger government while worrying about fiscal responsibility—will become more apparent than real. **END**





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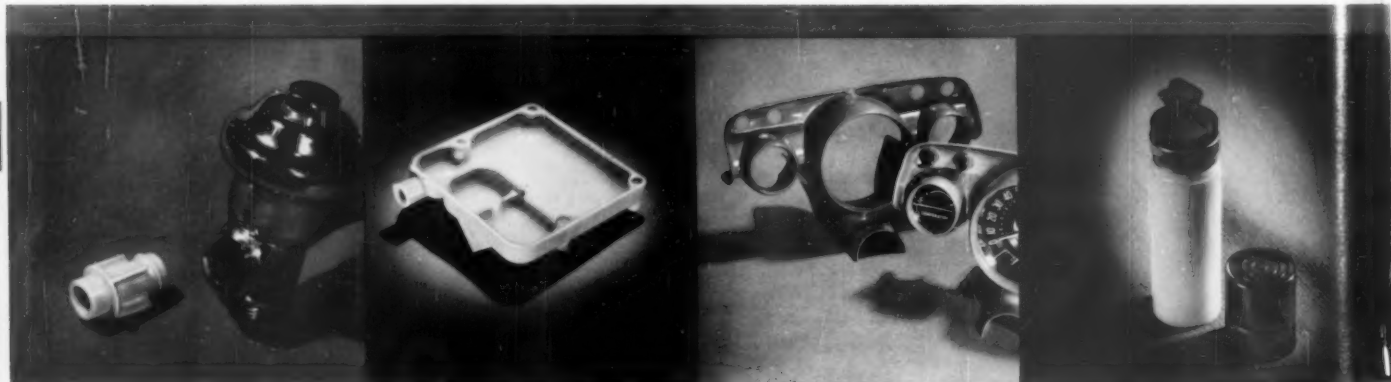
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Over the past three years, "Delrin" has been

## Typical performance and production advantages of "Delrin"



**A brass part** in a commercial flush valve was duplicated in "Delrin". This part operated perfectly for 18 months—the period of test—although it was completely and continuously immersed in water. The outstanding dimensional stability of "Delrin" under a wide variety of service conditions has also been proved, for example, in showerheads (continuously running water at 150°F.), and movie projector gears (run over 2,000 hours at ambient humidity).

**This textile solution pan** is ordinarily made of stainless steel. It must have resistance to oils and organic solvents, a clean, smooth surface; it also requires several threaded inserts plus other details. In normal quantities, stainless steel pans cost approximately \$25 each. Injection molded in "Delrin", the cost was quoted at about \$3 each. Testing showed that "Delrin" provided the required finish without machining, the needed solvent resistance, plus a weight saving of 75%.

**A zinc die-casting mold** was used to make this instrument cluster of "Delrin". Weight was reduced over the zinc component by almost 80%. In addition to manufacturing economies, further savings in assembly are indicated: self-tapping screws can be used, since the creep resistance of "Delrin" prevents loosening or stripping. These clusters can be molded in integral color or painted, and with a conventional mold would require little, if any, mechanical finishing.

**Aerosol containers** made of "Delrin" were shelf-stored for over a year; others stored for 3 months at 130°F. In both cases, the contents were still completely dischargeable. "Delrin" retains its strength and toughness for long periods, even when exposed to elevated temperatures and organic solvents. Equally important are the new opportunities for high styling opened by "Delrin"—the freedom to design in new shapes and integral colors to suit purchasing trends.

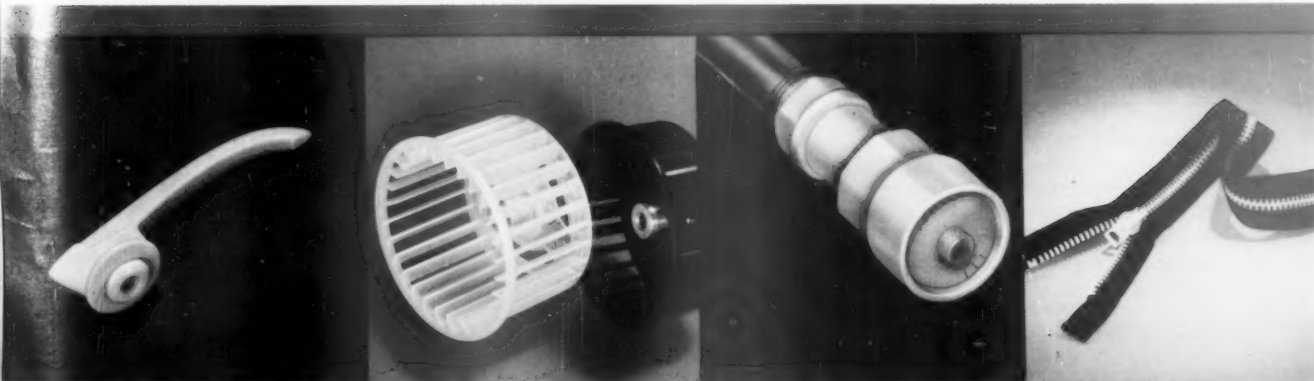
tested in hundreds of end-use applications by a host of industrial concerns. These tests have confirmed that parts made of "Delrin" can compete *on a performance and cost basis* with parts made of many metals, rubber, glass or wood. Of the various end-uses tested, 75% would normally be made of metal and another 10% of rubber, glass or wood. These tests have resulted in many applications of "Delrin" now being readied for commercial production—including gears, bearings, housings, containers, plumbing and hardware parts, pump impellers, "squirrel-cage" blowers, door handles, clothing fitments and many others.

In addition to metal-like performance, "Delrin" offers you the manufacturing economies inherent

in the production methods of the plastics industry. "Delrin" is easily injection molded, extruded, blow-molded or fabricated with conventional machine tools.

Illustrated below are a few of the applications of "Delrin" which have undergone extensive field service tests. The performance and economies listed were indicated during comparative evaluations made with materials in use at the time of the tests. These applications, together with additional data on the following page, may well suggest ways in which this versatile new engineering material can help *you* improve a product, lower its cost or develop new designs for your profit. Your inquiry is invited (see coupon on next page).

## evaluated during three years of field tests . . .



**Accessories** usually made of metal, such as automotive window cranks and refrigerator door handles, can be economically mass-produced in "Delrin" by injection molding. "Delrin" provides required strength and rigidity. Integral colors, a variety of surface effects and functional details can be produced in one operation. Less weight, improved styling, dependable performance and potential cost savings are made possible by "Delrin".

**Industrial components** such as this "squirrel-cage" blower—as well as a variety of gears, bearings and other mechanical parts—have demonstrated the ability of "Delrin" to compete with various metals on a performance and cost basis. "Delrin" offers excellent fatigue life even when immersed in oil or water. Rapid production of lightweight, intricate components by the injection molding process can lead to substantial manufacturing economies with "Delrin".

**Plumbing fixtures** made of "Delrin", such as this showerhead, offer the manufacturer new styling and design advantages...and the home owner new latitudes in bathroom décor. Injection molded in integral color, fixtures made of "Delrin" assure builders and home owners of long-term dimensional stability, freedom from rust and mineral build-up. Modern in design, they are durable and dependable in service, and provide opportunities for potential cost savings.

**Clothing fitments**, such as zippers, clasps and snaps, are also readily and economically molded in "Delrin". Stiffness, toughness and resistance to heat, body oils and perspiration make "Delrin" a logical choice for such uses. Your customers would welcome the light weight, colorability and warm-to-the-touch benefits "Delrin" offers. Extensive field tests have demonstrated that "Delrin" is one of the most promising new materials available to the fitments industry.

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PHOTO TAKEN JANUARY 1959

<b>TENSILE STRENGTH</b>	(ASTM D638): 10,000 psi at 73°F. 4,000 psi at 250°F.
<b>STIFFNESS</b>	(ASTM D790): 410,000 psi at 73°F. 90,000 psi at 250°F.
<b>DIMENSIONAL STABILITY: LOAD</b>	0.5% Def. under 2,000 psi load at 122°F. (ASTM D621) 338°F. Heat Dist. Temp. at 66 psi (ASTM D648)
<b>DIMENSIONAL STABILITY: CREEP RESISTANCE</b>	0.4% Deformation after 10,000 hrs. at 113°F. under 500 psi load
<b>DIMENSIONAL STABILITY: ENVIRONMENTAL</b>	Linear Change +0.1% going from 0 to 50% RH +0.4% going from 0% RH to Saturation +0.1% in gasoline
<b>SOLVENT RESISTANCE</b>	Weight Change +0.3% in Gasoline at 73°F. +0.9% in Brake Fluid at 158°F. -0.2% in "Uniflo" at 158°F. +1.9% in Ethanol at 122°F. 0.0% in Kerosene at 140°F.
<b>TOUGHNESS</b>	Fatigue Endurance: 5,000 psi at 73°F. Impact (Izod - ASTM D256) 1.2 ft.lbs./in. at -40°F. 1.4 ft.lbs./in. at 250°F.
<b>BEARING PROPERTIES</b>	No Slip Stick No Squeak Coeff. of Friction on steel 0.2 ± 0.1 Dry 0.08 Lubricated
<b>EXCELLENT APPEARANCE</b>	Colorability High Gloss Paintability
<b>SERVICEABILITY</b>	Wear Resistance Mar Resistance Stain Resistance Corrosion Resistance
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# Dog Illness Helps Curb Measles

● Vaccine for measles—sought since 1955—seems to have been found by UCLA researchers in distemper virus.

● Discovery is another case of a lucky find; the researchers were looking for a vaccine for the common cold.

● It points out a path of research toward curbing other diseases—maybe even vaccines for some cancer forms.

A virus that can bring fever, suffering, even death to dogs may be the means of saving human children from the aggravations and frequently serious after-effects of measles. That's the discovery that UCLA Medical School researchers stumbled on in the course of an unsuccessful search for a vaccine against the common cold.

Scientists heard the story last week at the meeting of the Federation of American Societies for Experimental Biology at Atlantic City, N. J. It was the latest chapter in a hunt for vaccine protection against measles that began when Dr. John F. Enders of Harvard first successfully isolated the measles virus in 1955.

The hunt had run into so many obstacles, however, that the projects were beginning to look dim. Then the lucky break at UCLA changed the whole outlook by turning up what looks like the best bet yet against measles—an effective measles vaccine made from live distemper virus, cultivated in chicken eggs.

• **Wider Possibilities**—The significance of the discovery goes even beyond the possible use of the virus as a weapon against measles. The pattern that led the UCLA researchers to the discovery is a familiar one to scientists, and indicates once again that solid research effort rarely, if ever, is useless, even if it fails to reach its intended goal.

What is particularly significant about it this time is that it suggests a path that other researchers may follow—a path that may lead them to find, someday, useful vaccines for other diseases, notably for certain forms of cancer.

• **Roundabout Start**—The UCLA researchers started out with no real thought of looking for a measles vaccine. Along with a number of other medical research groups throughout the world, they had observed that human beings—unlike dogs—have a built-in resistance to distemper virus.

This natural immunity—an antibody—they figured might be a handy thing to use in the search for a common cold vaccine. Perhaps inoculating people

with distemper virus would actually prove a good way to immunize them against colds.

They were wrong. Two hundred persons in a California state hospital received shots of distemper virus. For the sake of comparison, a control group of 200 others got flu shots, another 200 received shots of mumps vaccine; the remaining 1,400 got no vaccine protection at all.

As far as protection against the common cold was concerned, the results were discouraging, indeed. Just as many of the group that got distemper virus shots came down with colds as in the various other groups.

• **Chance Epidemic**—Then, by chance, a measles epidemic hit the hospital. More than 10% of the patients came down with the itchy, sometimes dangerous, virus-caused disease.

But the doctors, looking over their control groups again, came upon an electrifying fact: In each case of the other groups there were more than three times as many cases of measles as there were in the group of 200 patients who had received a single shot of distemper virus.

Scientists are always loath to accept success on the basis of a single experiment. And, of course, long-term immunization against measles with distemper virus has yet to be proved. So the group at UCLA is now hard at work, testing the effect of distemper virus shots on patients at another state hospital. It could take a year before results are known as measles epidemics, like spring, usually come around only once a year.

• **Dangers**—But medical researchers are openly jubilant over the discovery. Measles, they point out, is so common in densely populated parts of the world that people generally have come to accept it as inevitable—something it's best to get and be done with as fast as possible.

Yet measles is often a very serious illness—particularly in very young children and in adults. It is likely to lead to pneumonia and can cause brain

inflammation with an estimated 50% mortality rate.

• **Research Hurdles**—One thing that has made measles so hard to work with—from a research point of view—is the fact that monkeys and people are apparently the only forms of life susceptible to it. For decades, scientists have tried to grow measles virus in other animals—such as rabbits and chickens—only to have the submicroscopic virus particles disappear harmlessly.

Then two things put measles research on a new path. First, in 1949, came tissue culture—or the process of growing viruses in living matter (this is the method originally used in making the Salk polio vaccine). Then Dr. Enders of Harvard isolated, first the polio virus (for which he got a Nobel Prize), then the measles virus. It was these developments that caused hope to blossom for a measles vaccine—along with one for polio and a number of other specific diseases.

Enders took live measles virus from the throats or bloodstreams of patients down with the disease and grew it in human kidney cells. Many steps later he had a measles virus weak enough to test on young monkeys, and later on children. (The theory was similar to that behind the Salk polio vaccine—first growing live virus, then “killing” it or weakening it enough to make it usable for immunization.)

The weakened measles virus apparently caused the bodies of Enders' young patients to build up immunity (antibodies) without actually giving them the disease.

• **Testing Period**—Following Enders' lead, a number of large pharmaceutical companies (among them Parke, Davis & Co. and Chas. Pfizer & Co.), as well as universities around the country, have also been growing weakened measles virus and running tests. Results have verged from excellent to “only fair.”

Before any weakened or “killed human virus” comes into general use, of course, both medical authorities and the Public Health Service would have to be assured that it's completely safe. In the case of a measles vaccine, the possibility of a faulty batch of strong, live measles virus getting loose on the market, with the possible consequence of causing severe cases of encephalitis, would be a very serious matter.

It was just this type of “not completely weakened” polio vaccine that stirred up public wrath in 1955, when some children who had shots of it came down with polio itself. Production standards for polio vaccine had to



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**KEYSTONE**

**"... like cowpox vaccine, distemper vaccine can't, by mistake, give children the disease itself ..."**

STORY starts on p. 55

be worked out very carefully so there could be no chance of a repeat production slip.

• **Free of Danger**—A big point in favor of the UCLA distemper virus vaccine for measles is that it offers no such threat. Even if a batch should go wrong, the worst harm it could do, apparently, would be negative—it simply would fail to cause the human body to build up measles antibodies. Like the cowpox vaccine used to give humans protection against smallpox, distemper vaccine can't by mistake give children the disease itself.

• **Broad Prospect**—From a broader standpoint, the UCLA measles vaccine may turn out to be an important medical milestone in virus research.

Viruses, scientists have long known, are parasitic living organisms of astonishingly small size. Some are so small, in fact, that a whole class of them can prey on bacteria in somewhat the same way as bacteria prey on animal cells.

"True" animal viruses can vary widely in size (within the millimicron range) as well as in shape and behavior. But in general, once they are inside the cell they select as their scene of operations, their behavior can be summed up in one word—vicious.

• **Variety of Diseases**—The fact that different viruses produce different diseases can be accounted for by:

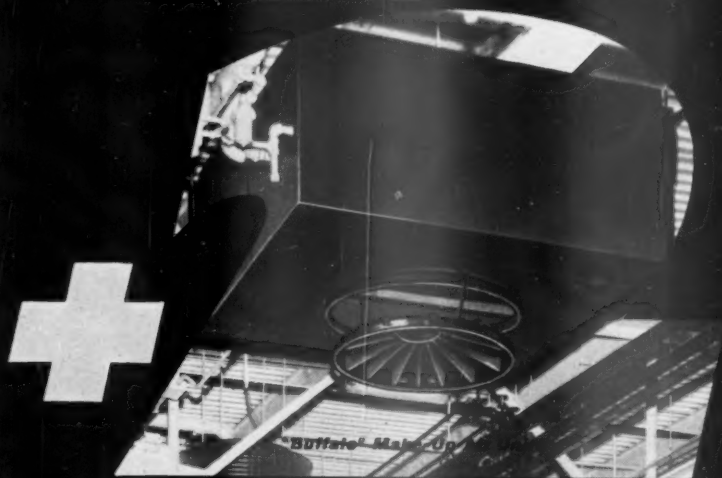
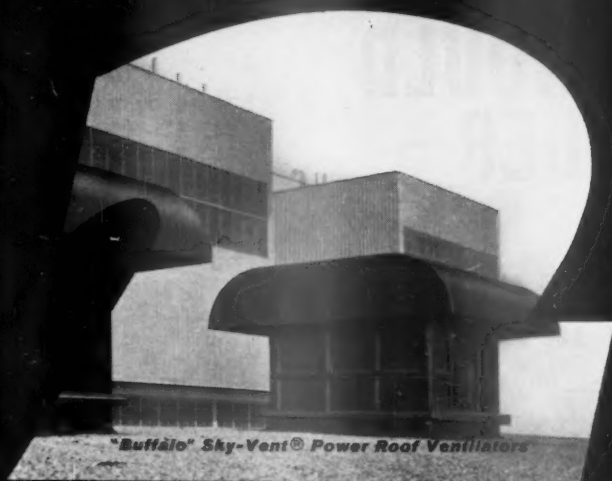
- Their chemical difference from each other.
- The type of body cell they attack.

Polio virus, for example, prefers to attach itself to the motor nerves of the body—those that control muscular action. Influenza virus apparently has a built-in affinity for red blood cells. Rabies virus heads with arrowlike speed and directness to attack brain cells.

There are still a large number of viruses, though (among the group known as enteroviruses) which researchers have been unable to connect up with particular disease symptoms.

Some viruses, formerly classed with this group but now called Coxsackie viruses, have been shown to cause a polio-like disease, aseptic meningitis, and a form of ulcerated sore throat known as herpangina. The rest are still a mystery.

• **Cancer Trail**—Whether any of these is a cancer-producing virus is a subject of hot debate in medical circles today. In any case, the discovery that a live



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animal virus vaccine can give humans protection against measles is sure to produce one result—it's sure to set the cancer-virus advocates hot on the trail of something similar.

There are a number of still unexplored animal diseases—which men can't "catch"—that are thought to be caused by viruses. Careful experimentation might reveal that they, too, will give humans protection against some virus-caused disease.

And the next time, perhaps, it might be cancer.

If not, a number of other virus-caused ailments still plaguing mankind need to be brought under control, too. One large group includes the respiratory viruses and virus pneumonia. Another is made up of viruses that attack the skin, the mucous membranes, the sex organs, even the unborn child.

Some viruses, such as those that cause fever blisters or chicken pox, are relatively mild and are little more than an inconvenience. Others can be fatal—those, for example, that cause smallpox (for which, of course, there's an immunizing vaccine) and yellow fever.

• **Help Toward Cures**—There's another side to the picture, too, besides prevention. There's a good chance that knowledge of another virus vaccine usable as a preventive will contribute also to the general knowledge building up around effective cures for virus-caused diseases (BW—Apr. 25 '59, p87).

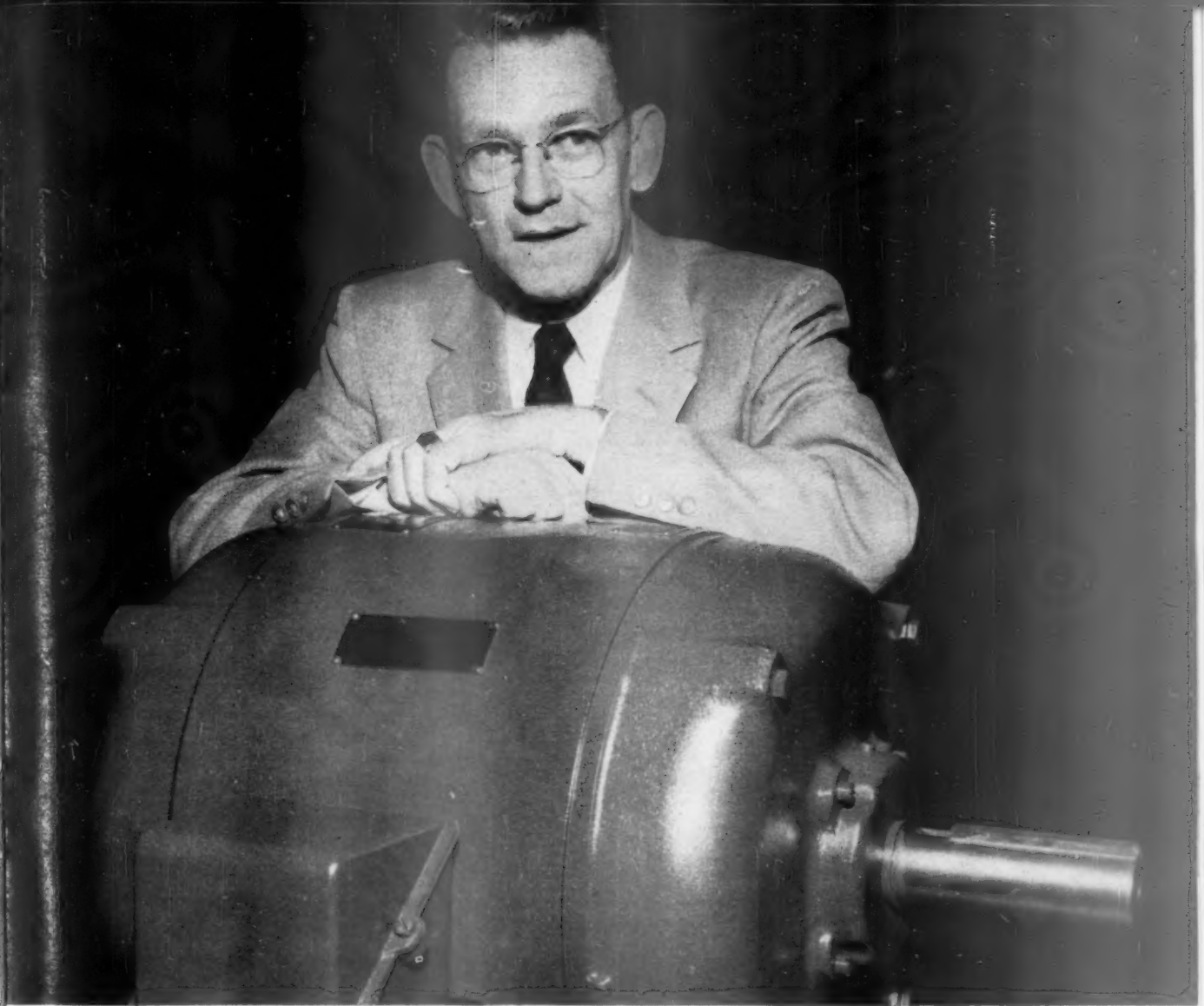
And however far immunization research may be pushed, there will still be a need for finding for patients who have failed to receive the vaccine prevention that's available.

Viruses are easy to kill in the laboratory. A dose of formalin or exposure to ultraviolet rays will do the job easily. But once a virus has burrowed into a living cell, it's a much more difficult problem to attack the virus without killing the cell. One characteristic of all true viruses is that they are immune to antibiotics and other forms of chemotherapy. Influenza virus is a good case in point.

Scientists refuse to give up hope, however, of finding an agent that will attack the active, living virus inside the human cell. They concede that a highly unusual medical problem arises from the fact that viruses must live inside a host cell. But they say the problem is not unique—undulant fever bacteria, for example, burrow into cells in much the same way.

That's why scientists seize upon any new example that can teach them more about how the body's immunization mechanism works—any development such as the live distemper virus vaccine. Such knowledge can provide a valuable lead in finding drugs that will help the body fight off virus diseases against which it is unprotected. **END**





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## MARKETING

# A Home of Its Own—to Grow On

Associated Dry Goods Corp.'s new quarters and new market division aim to set a new standard for fashion merchandising.

"We are looking ahead." So Robert J. McKim, president of Associated Dry Goods Corp., sums up what his brand new corporate headquarters and market division—with its brand new staff of market representatives—are all about. Associated, among the top 10 department store chains, is on the move.

"We have bought three major stores in recent years, and we hope to get more," McKim goes on. "This office will make it easier to integrate new members with Associated ideas."

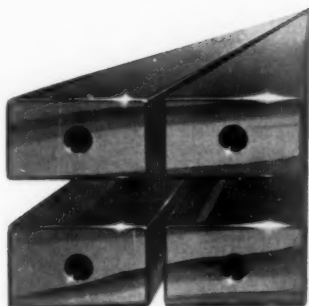
• **Long Arm**—The Associated arm already stretches from coast to coast. The 10 member stores include New York's Lord & Taylor; Los Angeles' J. W. Robinson Co., acquired in 1955; Baltimore's Stewart & Co. They go as far north as Powers Dry Goods Co. in Minneapolis, south to Stewart Dry Goods in Louisville, and The Diamond, in Charleston, W. Va., acquired in 1956.

In 1957, the company acquired big Sibley Lindsay & Curr Co., Rochester, N. Y. Negotiations to add Erie Dry Goods Co. of Erie, Pa., are pend-

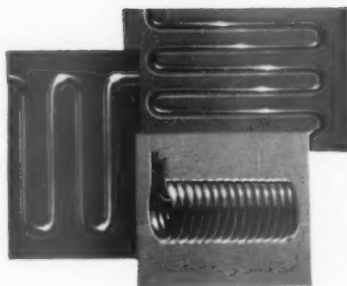


MARKETING representatives (above, left) consult with out-of-town buyers on merchandise trends, and (below, seated) approve styles displayed by dress manufacturer.





Copper Extrusions



Dimensional Tubing



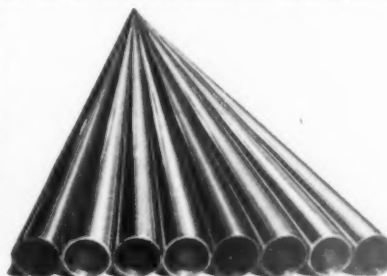
Power Cable



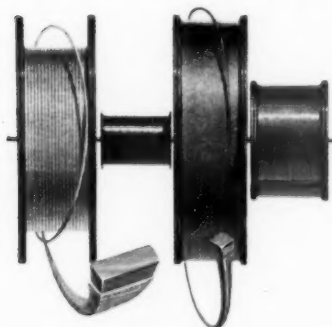
Building Wire and Cable



High Frequency Cable



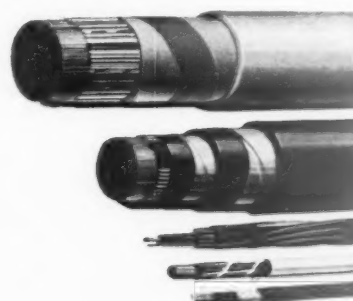
Condenser and Heat Exchanger Tube



Magnet Wire



Copper Water Tube



Telephone Wire and Cable

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Nearby, or down the road, nothing catches the eye and invites business like a sign made of PLEXIGLAS® acrylic plastic.

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Sales go up when a PLEXIGLAS sign goes up. Write for literature, and the names of sign companies who can help you develop a sign program around the exciting possibilities of PLEXIGLAS.

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Photograph by Bruce Davidson

## LARRY DUNN PUTS METAL ON SKYLINES

Before most architects even dreamed of buildings decked in bright blue or green or gold, Larry Dunn had them towering on the skyline in his mind's eye. But by 1948, he could point to half a dozen . . . by 1954, more than 100. Today, the number exceeds 600 and keeps growing.

It is not enough that aluminum-clad skyscrapers go up faster at lower cost,

or even that they defy corrosion to keep maintenance negligible. What counts most is that, as a member of the Alcoa Development Division team, Larry Dunn helped put the color, form and texture of aluminum into the hands of architects. With this new-found freedom from the tyranny of brick and stone came stirring revolutions in the architectural designs for buildings of all

kinds, both commercial and industrial.

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5. **Quality Control** to meet top standards or match your special needs.
6. **Complete Line** including all commercial forms, alloys, gages, tempers.
7. **Availability** via the nation's best stocked aluminum distributors.
8. **Foremost Library** of films and books to help you do more with aluminum.
9. **Trained Salesmen** with a wealth of on-the-spot information.
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ing; it would be the 11th store. With branches, Associated operates 30 units.

Statistically, Associated moved considerably last year. Its annual report for the year ended Jan. 31, 1959, issued two weeks ago, showed peak sales of \$260.8-million and peak profits of \$7.5-million—a 10% increase for sales, a 5% increase for profits.

• **New Division**—The new quarters on New York's Fifth Ave. house the corporate offices. More important, they house Associated's new market division. Till now, Associated out-of-town stores had bought through separate resident buying offices—Frederick Atkins, Inc. and Cavendish Trading Corp. Erie worked through Mutual Buying Syndicate. With the official opening of its offices this week, Associated's buyers have a New York home of their own.

McKim plays down the function of the market division as a buying office in the strict sense of the word. "Our stores are autonomous," he says. "We have no central buying." However, the 21 market representatives do buy for stores on a store's authorization.

• **Alter Ego**—The representatives' primary function, says Miss Margaret de Mille, assistant general manager, is to act as the store buyer's alter ego. "We are the liaison between the manufacturer and the buyer," explains Miss Dorothy Tunley, market representative for junior dresses and sportswear. Every working day, the representatives are out scouting the market for fashion trends, to see who has what at what price—and to guide the buyers.

Essentially, this is the job the resident buying offices perform for their customers. "Only, we thought we could do a better job if we did it ourselves," says McKim. "But we had to grow till we were big enough."

• **New Standards**—The advantages are obvious. The big buying offices serve a wide variety of stores. Even Associated Merchandising Corp. (AMC), with its close ties with Federated Department Stores' chain of some 40 units, serves some outside stores as well. Associated's market experts concentrate solely on Associated stores. Each representative gets an indoctrination in the needs of each store, which gets a personal service it could get no other way.

Associated hopes to set new standards for market representatives and for buyers. "We feel a little bit snobbish about this whole thing," McKim says. "We wanted to dress it up a little, to dignify this type of operation."

A tour of the offices shows what he had in mind. Out-of-town buyers have comfortable, attractive quarters, room to spread around. Manufacturers have private cubicles in which to show their lines. Staffers point with obvious pride to the coffee lounge, the two kitchens, the board room with its antique Jap-

anese rice paper screen. The physical layout tells both representatives and buyers that their job is important.

To fill the shiny new quarters, Associated scoured the field for top personnel. It picked Gardner McKinnon, formerly with Atkins, to head its market division. Miss de Mille, who handles designer lines, was fashion director of Bloomingdale.

• **Toward Central Buying**—Eventually, it's expected that the market division will have a broader buying function. Associated is looking to the day when its own private label will play a larger role than it now does at Associated. When the day comes, the New York headquarters will take over more of the aspect of a central buying office for such goods. McKim points out that manufacturers will have easier access, too, to the entire Associated chain.

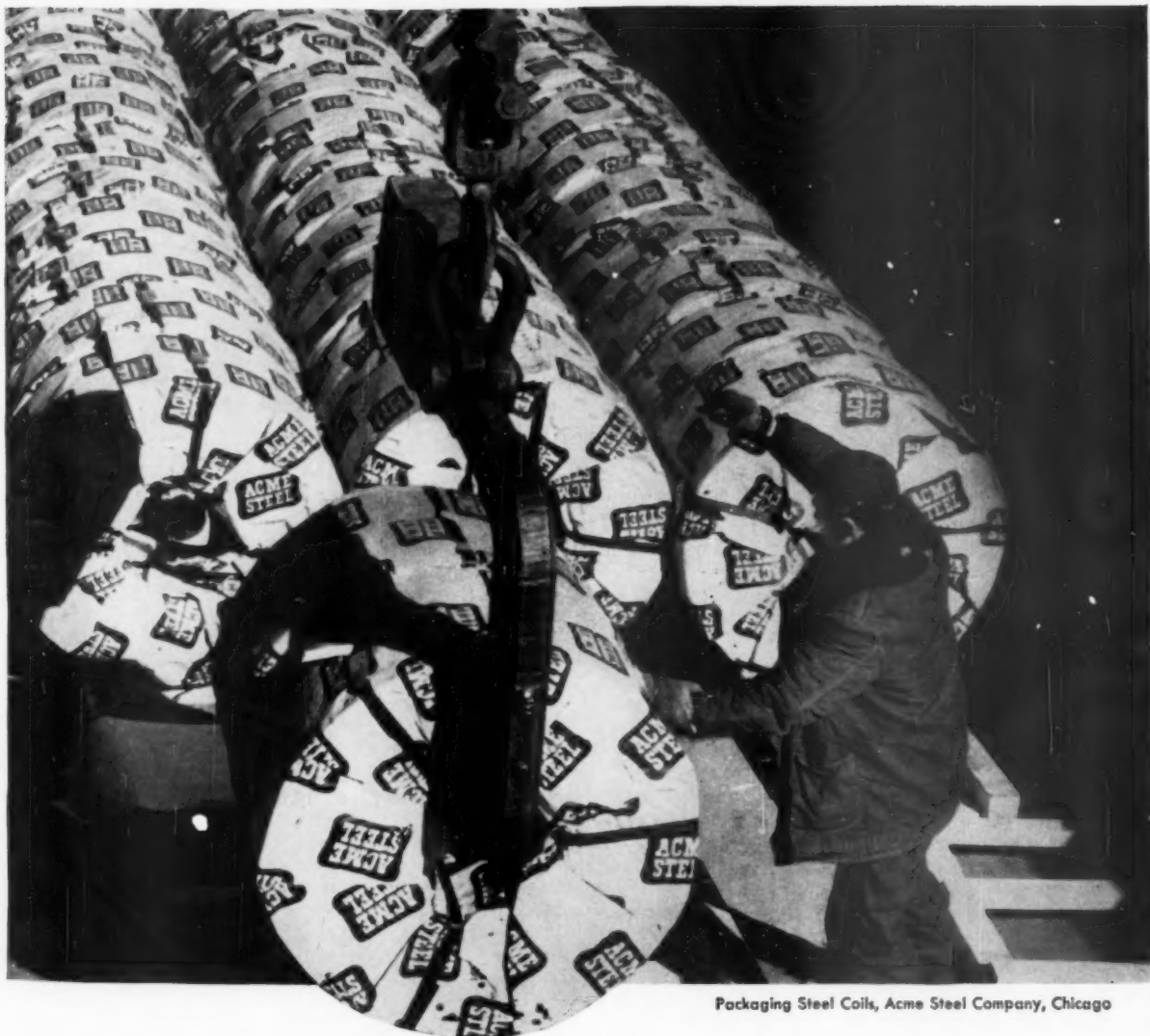
Economy of operation isn't much of a factor now. But it may become more important. Central buying would mean more economical buying. As new stores are added, the cost would be spread over a larger volume of business. "We could handle perhaps an additional \$75-million right now without adding to our staff," McKim says.

• **Common Elements**—The "integration with Associated ideas" McKim speaks of will be another important part of the headquarters' function. Associated stores have no identical pattern of merchandising and it's not likely that they ever will have. Some have downstairs or basement stores; some don't. But despite variations, McKim says, they must have these elements in common: stress on quality, fashion, and personal service.

The new market division should help build up these elements. Associated is out for fashion leadership in its market, at whatever price level the individual stores operate. It expects that each store will have in its community the fashion stature that Lord & Taylor has in New York. McKim is convinced that customers of all income groups have upgraded their level of taste vastly. The market representatives will help buyers to cater to that taste. With one central group researching the market to guide buyers, something like an Associated "look" is almost bound to develop.

• **Prestige**—The store buyers who come to the new quarters daily in a steady stream already react zestfully to their new surroundings. The buildup of Associated's importance and prestige is not lost on them. "The minute you walk in the door you get a feeling of refinement," says Miss Alma Jarvis, junior dresses buyer for The Diamond. "There's nothing like it anywhere," agrees Miss Tunley, market representative. "It's the pride that makes the difference," Miss Tunley feels. Miss Jarvis sums up, "This is ours." **END**





Packaging Steel Coils, Acme Steel Company, Chicago

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# In Marketing

• • •

## FCC Proposes Cut in Option Time, Other Restrictions on TV Nets

Last week the Federal Communications Commission moved to restrict the option time arrangements between networks and their affiliated stations. Option time is the hours of the broadcast day that stations make available for network programs and sale to national advertisers. Current FCC rules permit nets to contract for 12 hours, including six hours during the most commercially valuable afternoon and evening periods. **FCC now officially proposes to cut back total time to 10 hours, including taking a half hour out of each of the afternoon and evening segments.**

In addition, FCC suggests new rules that give stations more freedom in rejecting or canceling network shows.

FCC has invited industry comments on its proposed changes by next month. The networks will respond but can add little to the voluminous testimony they have already placed before FCC, as well as Congressional committees, to show that option time is vital to network operations.

• • •

## Ford Caravans Take New Models On Circuit of Shopping Centers

Four Ford Motor Co. caravans, consisting of trucks and trailers, are currently rolling on a summer circuit of the nation's shopping centers. **Their purpose is to display new model cars, to conduct some marketing research, and fatten new car prospect lists.**

Prospects entering the road show units will be asked to fill out a form giving car marketing data in exchange for a prize. The data obtained will be processed on a punch card device, and forwarded to Detroit where promising prospects will be pulled out. These names will then go to appropriate dealers. **Ford concedes, too, that such information would prove valuable in any study of whether to locate dealerships in shopping centers.** The company figures its mobile displays will attract some 1-million people a month.

• • •

## Trip Insurance for Motorists On Sale at Service Stations

Taking a leaf from air travel insurance, a new concern, Insuratrip, Charlotte, N. C., is selling life and limb insurance to motorists—mainly at service stations.

The gasoline station operator prominently advertises the service outside the station. Inside, the motorist finds a display of the rates and a phone number—which connects with a licensed insurance agent. **He calls the**

**agent, gives his name, the name and address of the beneficiary, the amount of coverage he wants and for how long. He deposits coins, which ring a bell that the agent hears. The motorist goes on his way. The agent makes out the insurance slip and mails it to the beneficiary.**

The plan is underwritten by Carolina Casualty Insurance Co., of Jacksonville, Fla. Insuratrip began installing its coin device in January, has set up between 175 and 200 locations.

Insuratrip expected few sales in the early months, but says business is coming in steadily. It started in the South, is moving north through Philadelphia and Newark.

• • •

## Shopping Center Rental Practices Probed by Small Business Group

Suburban shopping centers hit the limelight this week when a subcommittee of the Senate Small Business Committee opened public hearings on alleged discrimination against small business concerns in shopping centers.

Sen. Harrison A. Williams, Jr., (D-N. J.), of the Subcommittee on Retailing, Distribution, Fair Trade Practices, said, **"These hearings are to find out why independent retailers all over the country are being denied space in shopping centers."** He added that "many shopping center developers" have told him they prefer to lease space to local independent businessmen, "but are prevented from doing so by the large financial institutions which underwrite the centers."

Competition between centers is so strong that stores with strong customer appeal and financing are sought after as tenants. International Shoe Co. has said that the centers' predilection for big chains has made it difficult for International to sell its shoes in shopping centers—because the bulk of International's sales are to independent retailers (BW—Apr. 25 '59, p. 126).

• • •

## Store Says FTC's "Overprotectiveness" Will Produce Race of Idiot Consumers

In a piping hot battle, Curtis Bros., large Washington (D. C.) furniture store, scored the Federal Trade Commission for "overprotecting" the American consumer.

Last week FTC hit Curtis' advertising for allegedly falsely implying that customers will "save \$80" from "regular" prices by buying at the advertised price. The store defends its use of the word regular to mean, not the price usually charged, but the price its furniture could be sold for if the regular markup was applied. In asking dismissal of the charges, Curtis says:

**"The overprotective, over-regulatory, arbitrary, and capricious approach made by the Federal Trade Commission in the field of advertising by highly competitive retail businesses will ultimately result in producing a race of idiot consumers . . . who will be at the mercy of merchants in every country except America and it is unfair to the tourist American to provide a purchaser's Utopia in this country that will leave him unprepared to purchase commodities . . . anywhere else in the world."**



## NEW DIVIDENDS from progress in paint chemistry

If you haven't been keeping in touch with paint lately, you're in for a few surprises. New materials, new processes and new applications have moved products to market . . . months, even years, ahead of schedule. At Dow alone, research has developed many noteworthy advances in paint chemistry during the past year. A few of them are highlighted here. One may help solve a problem of yours. Why not take a five-minute look?

You may wish to check certain items in this advertisement and forward to those concerned in your company.

ROUTE TO:

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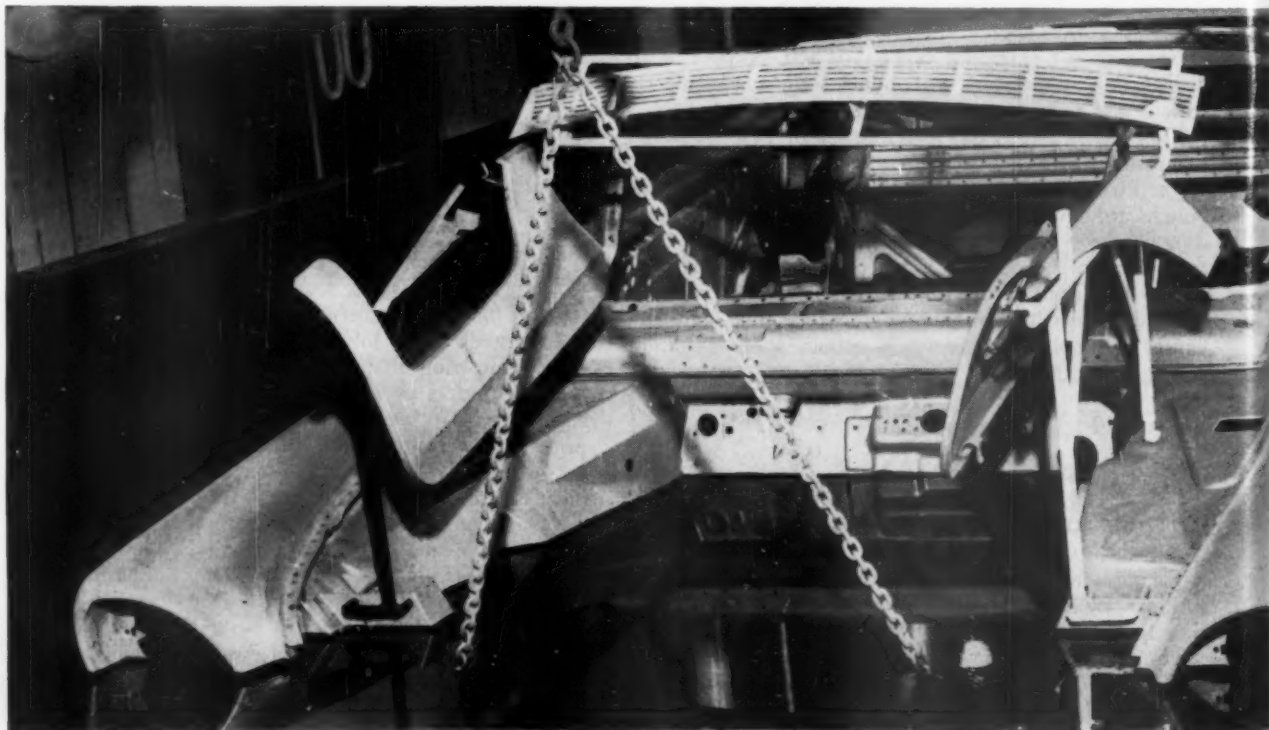
## Rust-busting primer coat cuts fire hazards

**Here's good news of a better way to prime metal—water-thinned latex paints! More and more businesses are discovering their safety advantages and cost-saving potentiality. More and more industrial paint firms are supplying them.**

New primers with Dow Latex are licking rust for the 1959 Lincoln, Thunderbird and Continental. The understructure of every one of these sleek new models is thoroughly protected with a rust preventive dip coating of latex-formulated primer.

You get much more than quality assurance with these revolutionary paints

for metal. Because water replaces flammable solvents, they eliminate both fire hazard and costly solvent recovery systems in the dipping process. Your benefits: safer working conditions—often a reduction in plant insurance rates and fire prevention equipment—greater production line versatility because you can paint anywhere!



## PAINTED LAWNS

**go nature one better!**

Grass stays spring-green thanks to an exciting new latex developed by Dow. Thinned with water, the latex paint gives a natural green color to brown grass. Once the spray has dried, each blade of grass is coated with a durable green film which can last from fall until spring. Paint companies are actively promoting this new paint for industrial sites, office building lawns, shopping plazas, even your own lawn.



## PROTECT CONCRETE FLOORS with latex paint

New durable concrete floor paints formulated with Dow Latex eliminate a whole handful of problems. They cut floor dust to barest minimums, provide an excellent seal. They require no acid etching, can be effectively applied on damp surfaces and are the easiest of all concrete floor paints to apply and keep clean. Sound good? Try them in your plant and home—and see.



### BUILT-IN DURABILITY FOR EXTERIOR MASONRY SURFACES

Superior exterior masonry paints that won't blister, flake or peel even under adverse weather conditions are formulated with Dow Latex. Proven in ten years of use on plant-office buildings and homes.



### NEW! LATEX PAINTS FOR EXTERIOR WOOD

Dow has developed a new acrylic latex for exterior wood finishes. Dow has found that they rank with the best conventional paints—and have the easy application and clean-up characteristics of latex paint.



### INTERIOR LATEX PAINT SAVES TIME, CUTS MAINTENANCE COSTS

Latex paints are easy to apply and dry quickly, cutting "down-time" considerably. Offices and homes can be painted and re-occupied the same day! They are available in a wide range of colors, too.

### Want more facts?

Dow has a complete information file on paints and paint materials. Address Coatings Sales Dept., THE DOW CHEMICAL COMPANY, Midland, Michigan.

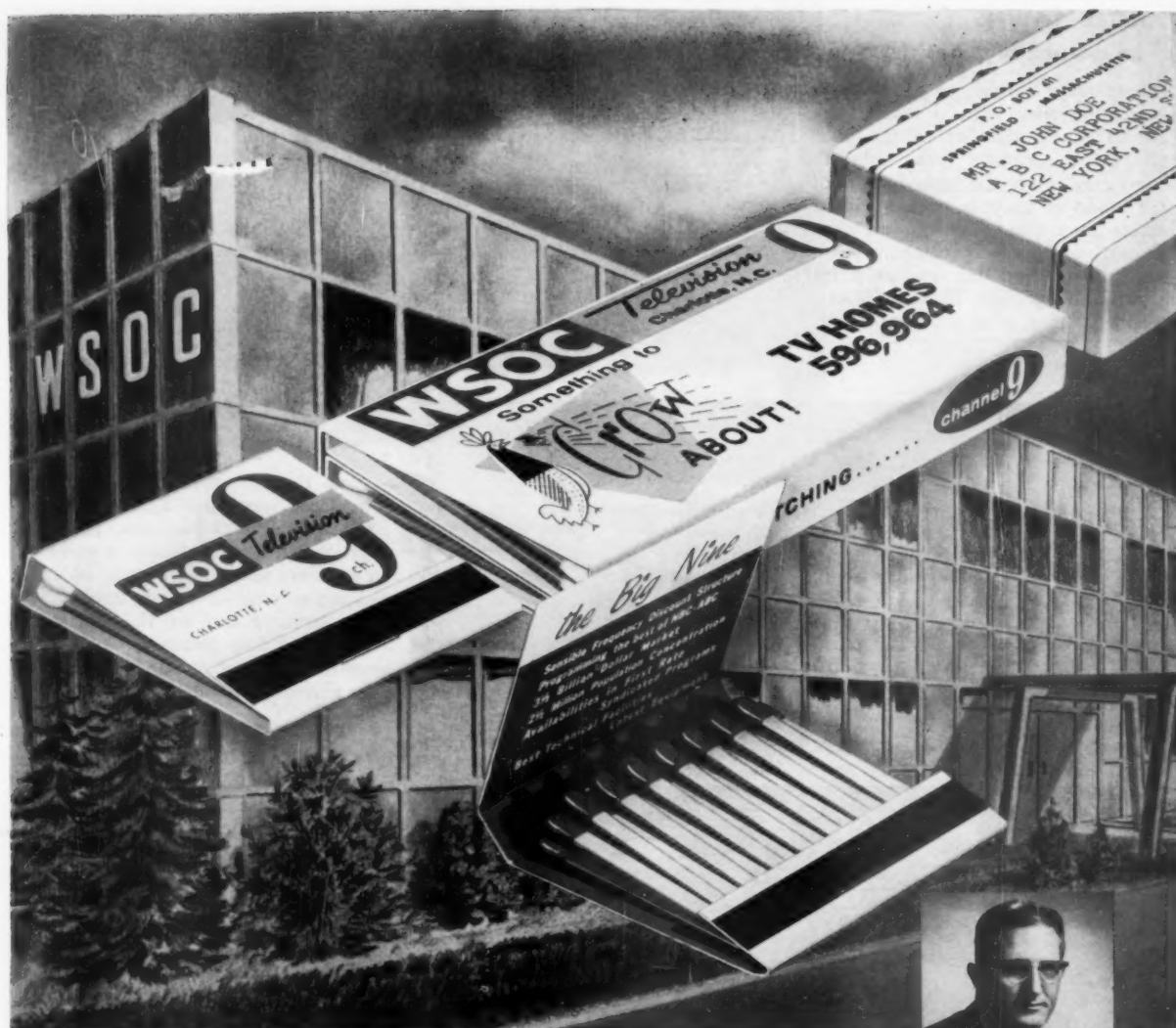
### DOW CHEMICALS basic to the industry

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Dow Resins • Saran Latex • Methocel® • Bisphenol A • Methylene Chloride  
Dowicide® • Epichlorohydrin • p,p'-Methylenedianiline • Glycerine • Glycols  
Dowanol® • Dowtherm® • Divinylbenzene • alpha-Methylstyrene  
Hydrobromic Acid • Polystyrene Resins • Vinyl Lacquer Resins • Plasticizers

**THE DOW CHEMICAL COMPANY  
MIDLAND, MICHIGAN**







## "Book Match Advertising Sparks WSOC-TV SALES 3 DIFFERENT WAYS"

writes C. George Henderson, executive vice president and general sales manager, WSOC Broadcasting Co., Charlotte, N. C.

"We're sold on book match advertising as an excellent medium for building our 'corporate image' as well as for specific jobs on special promotions. We use 'Dimensionalized' book match advertising three ways: (1) as direct mail to time buyers and agencies, (2) as reminder advertising left on all local sales calls, (3) as institutional advertising placed in our lobby, at the press club and at civic luncheons.

"Our most recent order was prompted by the completion of our sparkling new million dollar home with the most

modern telecasting facilities available anywhere. When we want *everyone* to know, we use book match advertising."

A recent survey audited by a C.P.A. firm, Scovell, Wellington & Company, proved that prospects not only read but welcomed WSOC-TV's book match advertising. 85% of the respondents receiving the direct mail book matches requested to continue receiving the mailings!

"Dimensionalized" book match advertising gives your sales message new 3-dimensional power, new magnitude and new penetration. It delivers your advertising message at low cost-per-reader. Diamond Counselors are professionally trained to design book match programs tailored to your needs.



For a folder describing modern "Dimensionalized" book match advertising, write on your business letterhead to

**Book Match Advertising Dept.**  
**DIAMOND MATCH Division of Diamond Gardner Corp.**  
**125-I Paridon St., Springfield, Mass.**



# INTERNATIONAL OUTLOOK

BUSINESS WEEK

MAY 2, 1959



Secy. of State Herter took on a tough assignment in Paris this week. He has been trying to get the Western foreign ministers to agree on a joint position for the upcoming talks with the Russians.

**Western differences aren't so wide as they appear on the surface.** The detailed discussion, and the wrangling, over Western conditions for German unification are mostly make-believe. The same goes for all the talk about military disengagement in Central Europe. **There's not a chance the Russians will discuss either question seriously at the May 11 foreign ministers' meeting in Geneva.**

But there are some sharp Western differences over Berlin that need to be resolved. **For Berlin is an issue that has to be settled soon with the Russians, if the West wants to avoid a really dangerous crisis there.**

Here, in a nutshell, are the different Western positions on Berlin:

**The British want the West to propose a new status for Western forces in Berlin.** They would like to make the proposal at an early stage of the East-West negotiations. As part of a new setup, they are prepared to have the three Western powers make an agreement with the East Germans that would govern access rights to Berlin. This, of course, would amount to de facto recognition of the Communist regime in East Germany.

**Washington is willing to redefine Western rights in Berlin in an agreement with Moscow, and to have the East Germans a party to such an agreement.** The U.S. might even agree to curtail Western propaganda and intelligence activity in Berlin as part of a deal. **But the State Dept. wants to hold back on any concession until the final stages of negotiations.**

Chancellor Adenauer, backed by the French, isn't against a new setup in Berlin if it means Soviet confirmation of Western rights there. However, **Adenauer doesn't want to buy this with a de facto recognition of East Germany.** In fact, he still hopes the U.S. won't pay that high a price. (Adenauer is down on Macmillan because the British Prime Minister seems ready to accept that price without question.)

— • —

**Red China has a new chief of state—Liu Shao-chi. He is the heir apparent to Mao Tse-tung as top man in Peking.** Since 1949, Mao has been both chief of state and boss of the Chinese Communist party. But recently he decided to step down from his government post.

**Western observers think the shift has real importance in the Communist world.** For the Chinese people, it means no let up in the harsh drive for rapid industrialization, and for a neighboring country like Tibet, it means almost certain subjugation.

Equally important, **say these observers, it means the acceptance by Peking of Russian supremacy in the Communist camp—something that Mao has tried to challenge in the past three years.** Some observers suspect that Khrushchev himself had a hand in the shift.

**Liu has always been known as an advocate of a tough domestic policy—along the lines that Stalin used in Russia.** It was Liu who made the speech launching the "great leap forward" in economic affairs.

Although it is not known Liu has been close to Khrushchev, he apparently bucked the effort Mao made to challenge Khrushchev for Communist

# INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**

**MAY 2, 1959**

leadership. He has pushed a pro-Russian line as chairman of the Sino-Soviet Friendship Assn.

All in all, it looks as though relations between Moscow and Peking have returned to about what they were under Stalin.

—●—

By summer, London will be making another effort to break into the European Common Market—with a variation on the Free Trade Area scheme that was vetoed last year by the French. This time the British hope to bring the Commonwealth countries along with them.

Commonwealth economic officials are meeting in London May 5 to discuss the problem. The first question is: Will nations such as Canada, Australia, and New Zealand give up their privileged position in the British market in return for a larger share—still to be negotiated—in Common Market imports?

Starting this week, the Commission of the European Economic Community (Common Market) is taking another look at the trade dispute with the British. Jean Rey, a commission member (representing Belgium) has just been in Washington to get a line on the U. S. attitude.

The Belgians, Dutch, and Germans, would like to find some way of resolving this dispute. But France can be expected to drag its heels for some time. Until French industry feels certain that the DeGaulle economic program has put France in a strong competitive position, there will be strong opposition to opening the Common Market to the British.

—●—

Italy's auto-and-scooter industry is racing to strengthen its competitive position in the six-nation Common Market.

Biggest news is an agreement, expected to be signed shortly, for Innocenti to produce the British Austin car. Innocenti management claims that production will begin in June and ultimately reach 100,000 units annually. (Over a year ago, the company signed with West Germany's Hans Glas to make tiny Goggomobils, but never got into production.) Innocenti, along with Poggio, already leads in Common Market output of motor scooters.

Government-owned Alfa Romeo recently signed an agreement to make French Renaults. Privately owned Lancia's on-again, off-again deal with Germany's Volkswagen is still on the fire.

Giant Fiat claims it has no license agreements in the works within the Common Market. It already has the advantage of operating assembly plants in West Germany and Belgium.

—●—

The Administration is stepping up its drive to save the foreign aid program from heavy Congressional cuts. Pres. Eisenhower this week made a strong appeal for foreign aid to the annual meeting of the U. S. Chamber of Commerce. There will be more such appeals by the President and members of the Cabinet. Under Secy. of State Dillon is planning a hard-hitting personal campaign on Capitol Hill.



## TOP MANAGEMENT TAKES ON ANOTHER CHORE

**IS YOUR SHIPPING ROOM PART OF THE PLAN** or just an afterthought? Today's new concepts in materials handling warrant the attention of top management.

Even kraft wrapping paper has changed! Once the most anonymous of all shipping materials, it is today ordered and identified by brand name. This stabilization of quality through *brand responsibility* is one of Hudson's many contributions to better packaging. From tree to finished product, *Man O' War* Kraft is Hudson-produced under continuous quality control. *Man O' War* has exceptionally high resistance to tearing and bursting, a smoother, brighter finish and assured uni-

formity order after order. This means faster, more economical package wrapping and increased protection for your shipments.

The Hudson brand on packaging materials is the mark of the prime mill source for industrial kraft papers. A Hudson **career man** distributor is near you. Call him . . . or write us direct for the Hudson Kraft Buyer's Guide and Testing Kits. Address Dept. B-11, HUDSON PULP & PAPER CORP., 477 Madison Avenue, New York 22, N. Y.

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Industrial Products Division



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# Ghana Gambles on Aluminum

Sometime in the next few weeks, Ghana's Finance Minister Komla Gbedemah and Economics Minister Kojo Botsio will make the rounds of Washington's key lending agencies—the World Bank, the Export-Import Bank, and the State Dept.'s Development Loan Fund. Their mission: to win a \$100-million loan for financing construction of dams, power stations, and transmission lines along the broad 1,000-mile-long Volta River (map).

The loan request won't fall on deaf ears. Over two years ago, Vice-Pres. Nixon returned from ceremonies inaugurating the birth of Ghana (formerly the Gold Coast) with warm words about the new republic and its desires for economic development. Then, Prime Minister Kwame Nkrumah got Pres. Eisenhower's support for the Volta scheme last July in Washington.

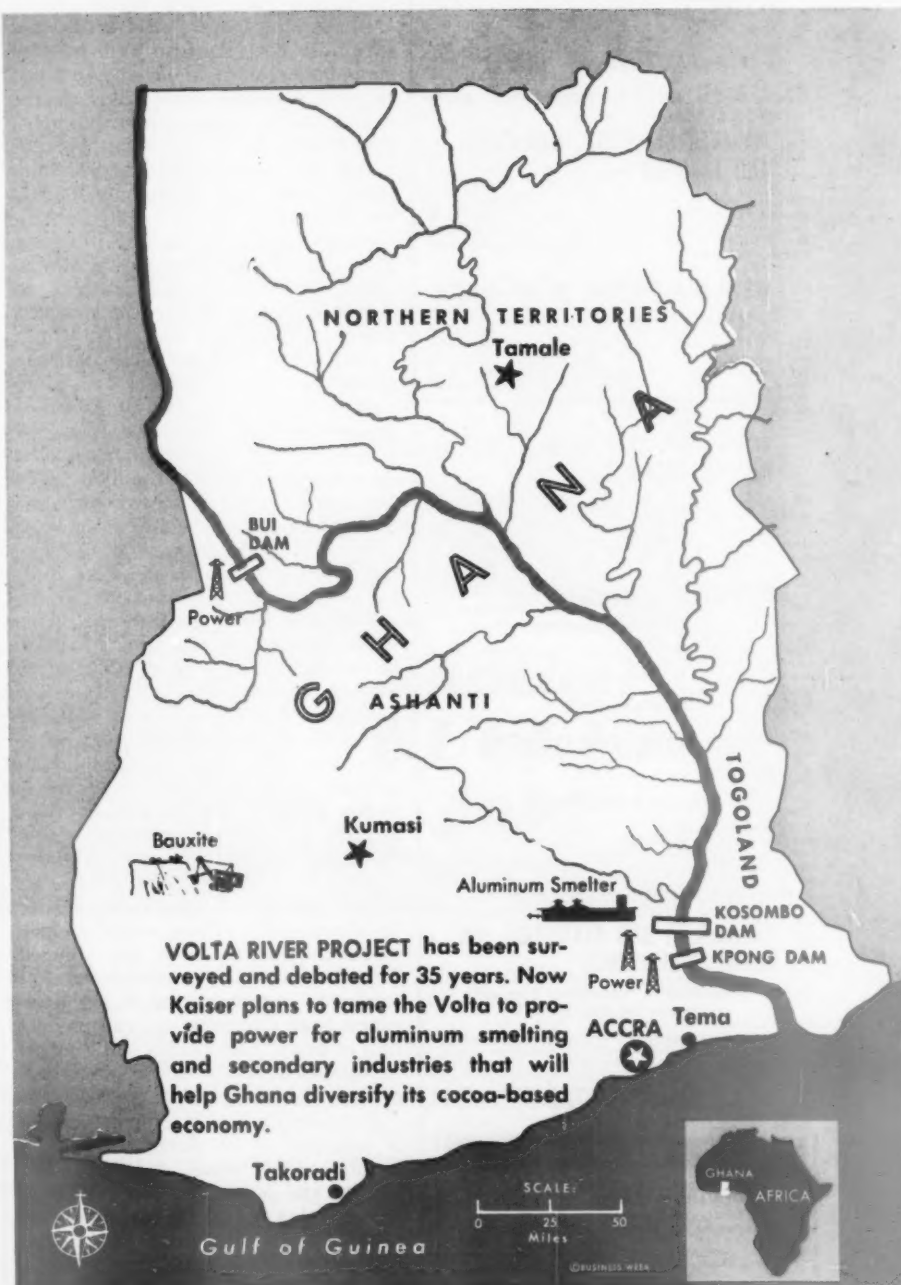
• **Economic Sense**—What has really spurred the project is a "reassessment" survey made last fall by Henry J. Kaiser Co., the consulting-engineering branch of Kaiser Industries. Kaiser's recent report says that the Volta project—though debated since 1924—now makes sound economic sense for both government lending agencies and private investors.

A month ago, Kaiser followed up its survey by signing a \$5-million contract with the Ghanaian government to start work on the first of three Volta dams. Beyond that, most of the leading aluminum companies—from Kaiser and Reynolds Metals Co. to Aluminium Ltd. and Aluminum Co. of America (Alcoa)—are talking behind the scenes about forming a consortium to set up aluminum-smelting facilities in Ghana.

• **Escape from Cocoa**—On its part, Ghana sees the Volta project as the best way to escape from its long-time dependence on cocoa for economic well-being. As the world's largest cocoa bean producer, Ghana relies on cocoa exports for some 60% of its income. Yet the country boasts other exportable resources—gold, diamonds, manganese, coffee, and bauxite.

As the Accra government sees it, electric power from the Volta River wedded to bauxite output from mines 200 miles to the west could turn Ghana into an important aluminum producer. Just as important, for an underdeveloped African republic shooting for higher living standards, the Volta plan would help create a host of new secondary industries and speed improvements in roads and agricultural productivity.

• **Overtones**—For both Ghana and the U.S., Volta has political overtones. A



leader of West Africa's fast-rising nationalism, Prime Minister Nkrumah feels committed to a fairly rapid program of industrialization to help prove that newly independent countries can stand on their own feet. Washington, in turn, realizes it must back Nkrumah in the face of growing Soviet influence.

Compared with other African countries, Ghana is by no means poor.

Despite widely fluctuating prices for cocoa—which dropped from \$1,400 a ton in mid-1954 to a low \$440 in early 1957—the country has socked away over \$500-million in dollar and sterling in reserves from cocoa profits. Thus, Nkrumah has said that Ghana will put up \$56-million of its own for the first stage of Volta. In Washington, a Ghanaian official claims that Accra “will



## Check List of latest McGraw-Hill business aids

### ☐ MANAGER SELECTION, EDUCATION AND TRAINING

How to apply the tools and techniques of manager development to produce the best tangible results, or to evaluate existing efforts. By Willard E. Bennett, Cities Service Refining Corp., 234 pages, 5½ x 8, \$6.00

### ☐ WORK MEASUREMENT IN THE OFFICE: A Guide to Clerical Cost Control

How to cut office costs and boost productivity with a scientific work measurement program. By E. V. Grillo, Management Institute, New York U.; and C. J. Berg, Asst. Budget Dir., Westinghouse Corp., 200 pages, 6 x 9, 45 illus., \$3.75

### ☐ ACCOUNTING SYSTEMS IN MODERN BUSINESS

Shows the results of mechanization and automation as they apply to the accounting function and as they affect management. By El-dred A. Johnson, Brigham Young U., 450 pages, 6 x 9, 161 illus., \$7.75

### ☐ INDUSTRIAL ADMINISTRATION: Concepts and Principles

Analyzes the "why" of basic management concepts underlying specific courses of action, and details the more important "how to" techniques of management. By Stanley C. Vance, Kent State U., 550 pages, \$7.00

### ☐ POLICY MAKING AND EXECUTIVE ACTION:

#### Cases on Business Policy

A comprehensive array of cases, derived from actual business situations, presenting the problems and opportunities met by top management in decision making and basic day-to-day administration. By Thomas J. McNichols, Northwestern U., 693 pages, 6 x 9, \$8.00

### ☐ PROBABILITY AND STATISTICS FOR BUSINESS DECISIONS:

#### An Introduction to Managerial Economics Under Uncertainty

Non-mathematical introduction to practical decision-making under uncertain business conditions, based on the logically sound foundation of modern utility theory and so-called "personal" probability. By Robert Schlaifer, Harvard U., 800 pages, 6 x 9, \$11.50

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go ahead with the first stage—regardless of what happens as a result of the financial mission arriving soon."

• **Lower Price Tag**—Several earlier studies of Volta—by Aluminium, Ltd., (which holds leases on Ghana bauxite), by British Aluminium (which is actively mining bauxite in Ghana), and by British consultant Sir William Halcrow—have said the whole scheme would be too expensive and make electric power rates too high for potential users. The 1956 Halcrow report, for one, estimated that Volta would cost \$900-million to build, yet generate only 700,000 kw. of power.

Kaiser's study, financed 50-50 by the U. S. International Cooperation Administration and the Ghanaian government, shows that Ghana can get more electric power for the money than that. It puts a price tag of \$304-million on facilities generating over 1-million kw.—\$156-million for a large dam at Kosombo (about 60 miles upstream from the Volta Delta), \$43-million for a smaller dam to the south, \$71-million for a third dam at northwestern Bui, and \$34-million for a transmission network. Aluminum producers would get a special deal on electricity—2 to 2.5 mills per kwh. instead of 5 to 6 mills.

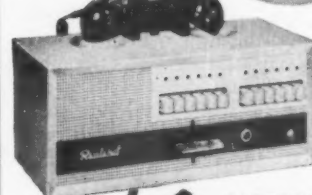
One way Kaiser has cut costs is to delay construction of a variety of public works, ranging from railways to schools, that were included in earlier proposals. Another way is to shift the site of the big dam to a location where the Volta flows faster and thus can generate more power.

• **No. 1 Suggestion**—In Kaiser's view, at least 32 types of industries could operate profitably in Ghana—a country that so far has attracted little foreign private investment since independence in March 1957. These would include electro-smelting of iron ore shipped from nearby Liberia, manufacture of steel products, processing of ferromanganese from Ghanaian ore, and production of paints, insecticides, and cement. (Kaiser itself has branched into many of these industries in recent years.)

But Kaiser's No. 1 recommendation is construction of aluminum-smelting facilities that would tap Ghanaian bauxite and Volta River power. The report makes a case for an aluminum plant with annual capacity of 120,000 tons per year that would cost between \$100-million and \$150-million. Ghana's bauxite, the report notes, is high grade. Construction of a new port at Tema near the Volta's mouth is almost completed.

• **Market Angle**—Still, the problem of finding markets for Ghanaian aluminum may—or may not—become a headache. That's an important factor that has slowed the Volta's scheme before.

For the past year, there has been sizable excess capacity in the U.S. alu-



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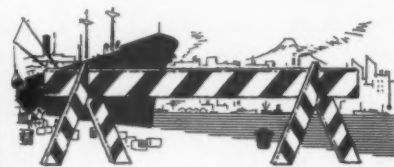
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**The new Bong Air Force Base** at Kansasville, Wisconsin, is being rushed to completion for the Strategic Air Command. Earthmoving and paving work on this 5,440 acre base was awarded to S. J. Groves and Sons Company and is under the supervision of the Chicago District Corps of Engineers. Nearly 14 million cu. yds. of excavation will be moved prior to the contract completion date in November, 1960.

In spite of the tight schedule, grading is well ahead of the timetable. With 2-shift operation, efficient job management and a large fleet of modern earthmoving equipment, Groves moved 8½ million cu. yds. in 4 months. A total of 67 Euclid units . . . more than 3 times the number of other big rubber-tired haulers on the job . . . are making the dirt fly!

A long-time Euclid owner, Groves acquired six Model TS-24 "Twin" Scrapers to supplement their Euclid fleet at Bong. These big scrapers, with 2 engines and all-wheel drive, have already played an important part in keeping the earthmoving well ahead of the contract schedule.

On big rush jobs like this one, or on smaller projects, too, modern Euclid equipment maintains high production at low cost. Have the dealer in your area give you the facts and figures that prove Euclids are your best investment.



**EUCLID**

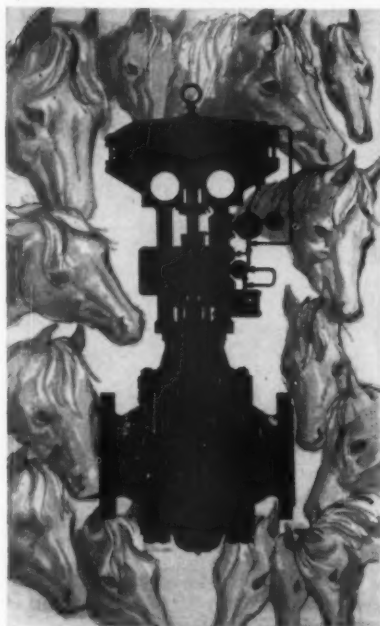
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Cleveland 17, Ohio

Euclid (Great Britain) Limited,  
Lanarkshire, Scotland

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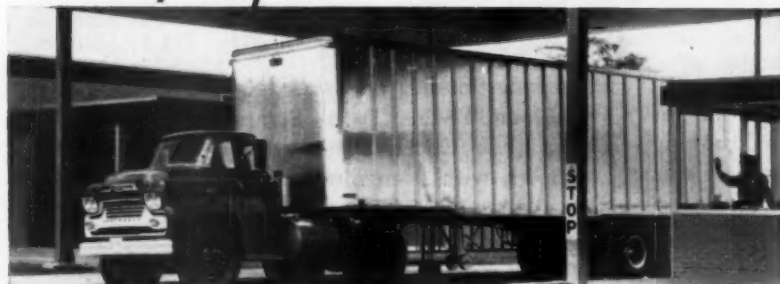


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minum industry. Canada is in much the same position. Aluminum shipments from Communist countries, though small, have helped stiffen competition.

Then, in other parts of Africa, several large aluminum projects are in either the planning or construction stage. In newly independent Guinea (formerly French Guinea), Olin Mathieson Chemical Corp., Reynolds, France's Pechiney, and others are jointly building a 200,000-ton plant. In the Belgian Congo, the Inga project envisaging aluminum output of 500,000 tons yearly is gathering momentum. And the Congo Republic (formerly French Equatorial Africa) is talking up a hydro-and-aluminum scheme.

• **The Odds**—The first stage of Ghana's Volta project will take at least five years to complete. By that time—say some economists—another aluminum shortage will be in full swing.



## Italy's Nuclear Reactor

Nuclear reactor at Ispra in northern Italy—the country's first to be used for industrial research—has just started operating. General Electric and Westinghouse each are helping to build two commercial atomic-power plants—one for the Italian government, the other for Edison S.A. Government-owned ENI (Ente Nazionale Idrocarburi) is putting up a third one, with help from C. A. Parsons of Great Britain. With little coal and its hydro power developed almost to the limit, Italy is pushing nuclear power as a part of Western Europe's six-nation Euratom program.

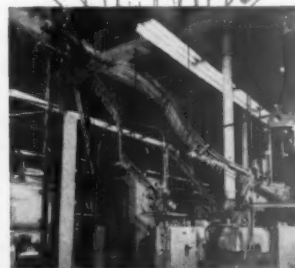


## More than fifty years and a billion valves later

### **TRW's AUTOMOTIVE GROUP has a growing stake in America's transportation future**

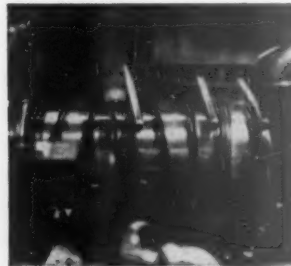
America on wheels means an America driving cars and trucks equipped with precision-manufactured parts produced by the five divisions comprising the Automotive Group of Thompson Ramo Wooldridge Inc. TRW's diversified and expanding future in cars and trucks is based on its fifty-year leadership in the industry, and on the many millions it has invested in new plants, new equipment and new methods of automated mass production. The Automotive Group sells \$100 million worth of automotive parts every year. Here are some typical examples: the more than a billion valves produced by the *Valve Division* are to be found in the majority of cars on the road today; the greased-for-life steering linkages produced by the *Michigan Division*... piston rings by *Ramsey*... high quality castings by the *Light Metals Division*... and world-wide distribution by the *Replacement Division*... all attest to the Automotive Group's deep product penetration. Moreover, TRW's scientists and engineers are engaged in broad supporting R & D programs for new developments for the years ahead. Whatever kind of car the future calls for—big car, small car, gas turbine—TRW is equipped in plant, knowledge, and experience to play an important role in producing it.

View of Valve Division's 100,000 square foot automotive valve packing and shipping department



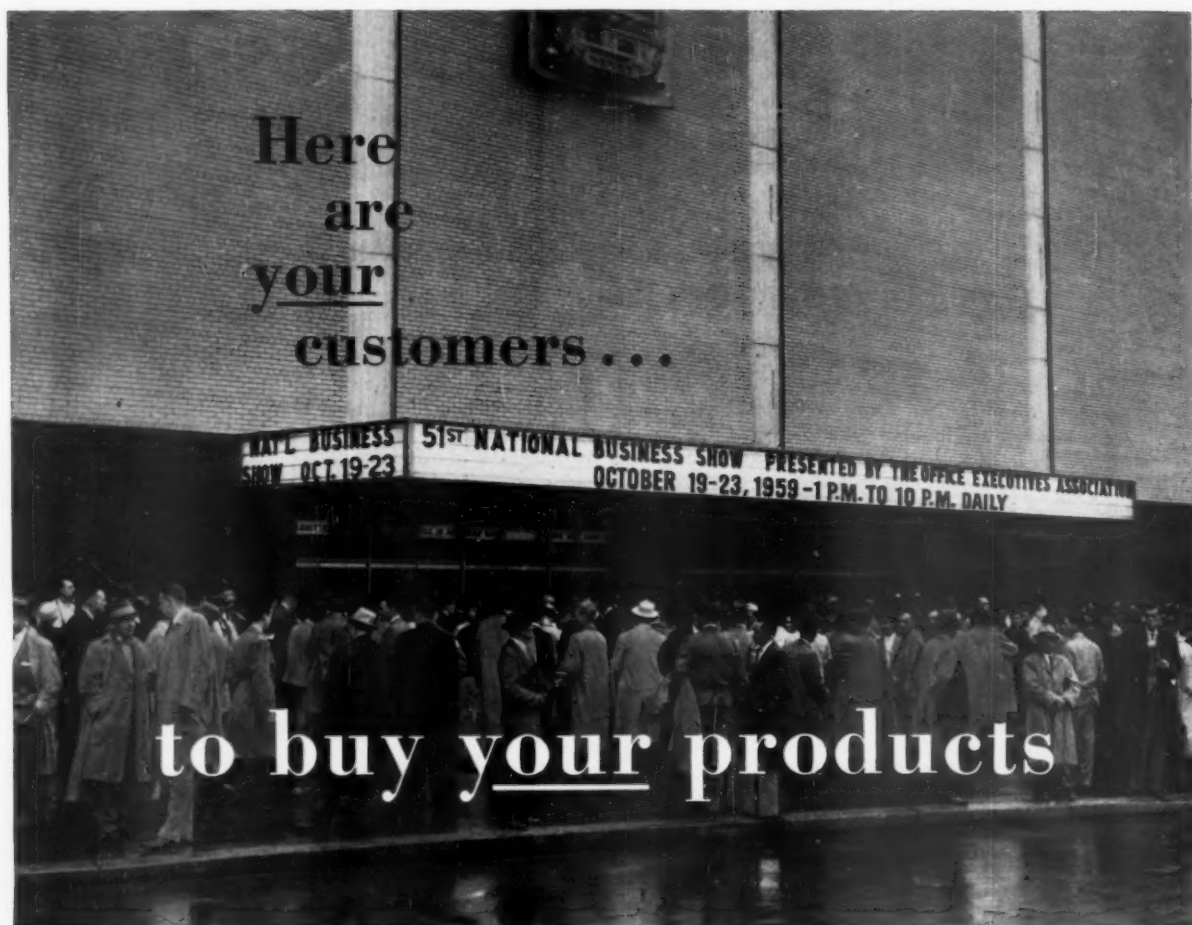
Automatic valve finishing line

Piston ring production on the Norton automatic line



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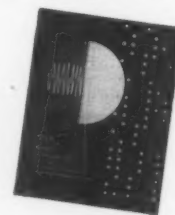
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# In the Markets

. . .

## Rosy Earnings Reports Fail to Stir

### Stocks; "Technical Decline" Seen

The stock market this week backed and filled despite the glowing first-quarter profit picture (page 21). Actually, the market had moved up earlier in anticipation of rising profits and once the news was out, activity slackened. The Dow-Jones industrials average moved within its new 620-630 range, but some analysts thought it significant that more issues declined than advanced through most of the trading sessions. They felt this was an indication a period of consolidation was in order.

Other analysts were predicting a "technical decline" in the neighborhood of 5% to 10%. So far, the market has been able to resist any downward movement, but sooner or later a decline of substantial proportions will come. Actually, a 10% correction is "normal" in a bull market, but with the averages at their present level it would mean a decline of over 60 points, which might shake some of the newer investors.

Even if a reaction occurs, there is a widespread belief that the market will move higher than it is now. Analysts feel that though investors may have discounted first-quarter earnings, the profit outlook for the rest of the year is brighter than anticipations. They also feel that with the bond market sliding despite higher yields, investors will continue to stick to common stocks.

. . .

## Mutual Fund and Short Seller

### Get in Trouble with SEC

Wall Street had a full quota of troubles this week:

The Securities & Exchange Commission launched a major investigation into the affairs of Managed Funds, Inc., an \$85-million St. Louis mutual fund group. The SEC charged that, starting in 1954, the fund had changed its investment policy without informing shareholders. At the same time, SEC said, Slayton Associates, the fund's investment manager, had "abdicated" its responsibilities to Stephen M. Jaquith, partner in the New York brokerage house of Model, Roland & Stone, while continuing to collect management fees.

The policy shift, says SEC, resulted in heavy turnover in the fund's portfolio, and it adds that over \$1.6-million in brokerage business was directed to Model, also without shareholder knowledge.

Hilton H. Slayton, president of Managed Funds, hit back, declaring that "it is absolutely not true" that there was any abdication of responsibility. He also said that the SEC's charge of a change in general investment policy is "a play on words."

The SEC also made Garvin K. Shields, a securities dealer, send a letter to the more than 6,000 members of the National Assn. of Securities Dealers explaining his

## MORE NEWS ABOUT THE MARKET'S ON:

- P. 82—Experts Disagree On What Sale of du Pont's GM Stock Would Do to Market.

transactions in the shares of Basic Atomics, Inc., which is traded over the counter. In the letter, Shields admitted that on April 7, 1959—at a time when he was "short a considerable block of Basic Atomics shares"—he had mailed an "anonymous card" to the NASD membership, warning of an impending secondary offering of 444,000 Basic Atomic shares.

When the stock declined in price the next day, Shields says, he covered his short position. Shields denied, however, that he had any manipulative purpose in mind. His purpose, he says, was simply to warn Basic Atomics shareholders, other than the selling group, that a huge block of shares was hanging over the market. Shields, incidentally, is a member of the group slated to sell 444,000 shares.

Basic Atomics is major creditor of and has an option to purchase Charlex Corp., which is exclusive selling agent in 13 states for General Development Corp., whose stock has been a fast mover on the American Stock Exchange. Transactions in General Development are also being studied by the SEC (BW—Apr. 11 '59, p23).

. . .

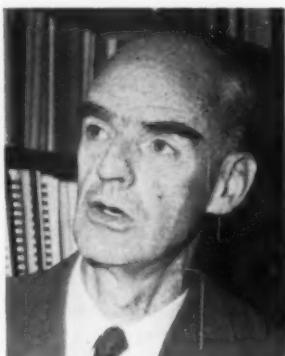
## The Market Briefs

The merger of J. P. Morgan and Guaranty Trust Co. was made official this week, after the Federal Reserve and the New York State Superintendent of Banks gave their required blessings to the plan. Just prior to the announcement, the Justice Dept. requested that both Morgan and Guaranty hold up the merger for another 30 days because it was anxious to continue studying the merger. But the banks apparently decided to go ahead, and Justice's failure to take action to block the move suggests that it will not press for any dissolution.

An 11th hour bid by the investment banking firm of Lehman Bros. to buy the Railway Express Agency this week caused REA's directors to defer for three months a decision on the company's fate. REA has been threatened with extinction ever since the New York Central announced its intention last December to pull out because of mounting losses on express operations (BW—Jan. 3 '59, p18).

Armco Steel was omitted from BUSINESS WEEK's tabulation of the big corporate earners of 1958, two weeks ago (BW—Apr. 18 '59, p77). Armco this week reported first-quarter earnings (page 20) of \$21.2-million, over twice the earnings it had in 1958's first quarter. In 1958 it earned \$57.5-million, which kept it in the exclusive group of corporations earning more than \$50-million per year, placing it 34th among the top U.S. earners. In addition, the earnings of American Telephone & Telegraph, the No. 1 earner, were incorrectly reported in the tabulation as excluding income from Western Electric Co. Actually, more than 99% of the earnings of that company were included.





These see no difficulty in distributing big GM block.

DR. ROGER F. MURRAY, professor of finance at Graduate School of Business, Columbia:

*"It seems to me that sales could be carried out if the trustees were skilled professionals. . . . The price of GM stock will be determined primarily by its performance and its ability to pay dividends to its stockholders."*



ALFRED C. BONI, president of Boni, Watkins, Jason & Co., New York economic and management consultants:

*"Divestiture could be accomplished without any dire consequences. . . . Properly executed, with safeguards, there would be in the long run no measureable decline in the value of these securities."*



These see some effect on

WILLIAM B. MOSES, JR., of Massachusetts Investors Trust:

*"There is no precedent in financial history for annual distributions of this magnitude, every year for 10 years . . . I do not doubt the trustee can make his sales, but I should think that the price would have to be attractive at a bargain level."*

## Asking the Experts: What Happens

The answer is sharp disagreement—and U.S. court will have job of figuring out which experts are right.

By mid-June, if all goes well, Judge Walter J. La Buy of the U.S. District Court in Chicago will start the arduous job of weighing the contradictory views of the men pictured above. For Judge La Buy will have to decide which group of experts to follow on the question of what would happen if E. I. du Pont De Nemours & Co. were forced to divest itself of its 23% stock ownership in General Motors Corp.

The question involves the effect on the market, and particularly on the prices of du Pont and GM stock, of the forced distribution of such a huge block of shares—and what it would do to their stockholders and their tax burdens.

In scope, at least, the question is virtually unprecedented in recent times, and it's obvious that there's no ready-made answer to be found in the textbooks, that many complicated factors have to be taken into account. That, at any rate, is clear from the widely divergent testimony of men who have spent their lives in the market or in study of financial operations.

• **Ten-Year Story**—Judge La Buy finds

himself in the role of a financial Solomon as the result of the government's 10-year-long antitrust suit against GM and du Pont—a 10-year story that leaves the legal issue still not clear-cut.

In June, 1957, the Supreme Court ruled by a 4-to-2 vote that du Pont's stock ownership in GM was illegal because it created a probability that the ownership could result in a lessening of competition. It ordered Judge La Buy, who had originally found no antitrust violation, to come up with an equitable solution "to eliminate the effects of the stock acquisition."

To comply with this requirement, du Pont has offered a plan to retain legal title to the stock but give up its voting rights. But the Justice Dept. insists that divestiture is the only remedy. And its plan calls for a full distribution of du Pont's 63-million shares in GM. After a 29-day hearing in Judge La Buy's court, this phase of the case is now in its last stages, with the parties filing final briefs.

• **Central Issue**—As Judge La Buy sees it, his primary problem is to remedy the

antitrust violation "without penalizing those who may become the innocent victims of this case, the stockholders and beneficiaries in various trusts and institutions." He sees as the central issue: Would the government's divestiture plan wreak havoc on the 209,000 du Pont stockholders and the 750,000 GM stockholders?

The Justice Dept. thinks its plan meets the test. Under its proposal, 42.3-million shares would be distributed pro rata over a 10-year period to all holders of du Pont common. The balance of 21.2-million shares—allocable to Christiana Securities Co., Delaware Realty & Investment Co., and stockholders of Delaware Realty, which together own about 29% of du Pont common—would be sold by a trustee over a 10-year period, with these companies getting the cash proceeds. Some 2-million shares would be sold annually.

Justice, however, is not doctrinaire as to how divestiture takes place—or how long it takes. It has made plain that it would change its plan if a more equitable solution were offered. But, it claims, none has been forthcoming.

The government feels—even though it won the Supreme Court decision—that it has been on the defensive.





market, but no calamity.

DR. IRWIN FRIEND, professor of economics and finance, University of Pennsylvania:

*"A maximum flexibility given the underwriters should . . . hold down price effect. . . . Evidence suggests that when you have added close to 10% to outstanding stock, you have had a downward pressure on prices . . . 5%."*



These predict big slide for GM, du Pont stock prices.

SUMNER B. EMERSON, partner in Morgan Stanley & Co., Wall Street investment house:

*"If du Pont were forced to divest its GM stock, the market for 10 years would be glutted with GM stock. . . . There would be an adverse impact of 20% to 25% on GM stock, and of 25% at a minimum in du Pont stock."*



WINTHROP C. LENZ, vice-president of Merrill Lynch, Pierce, Fenner & Smith, brokers:

*"We'd remove GM from our recommended list . . . advise all our customers to sell GM unless they were willing to wait out a long period of depressed prices . . . But you can't measure the impact with a T-square."*

## If du Pont Sells Its GM Stock?

Judge La Buy gave the government plenty of lumps when he dismissed its original case, and his insistence that the impact on stockholders is what he's most concerned about bodes ill for the government.

In short, Justice will not at all be surprised if La Buy once again rejects its position in the case—which is that divestiture from du Pont and the du Pont family corporations is the irreducible minimum relief that will satisfy the Supreme Court decision. But the antitrusters' stake is clear: If they can't pry du Pont and GM apart, how can they be expected to break up similar stock ownerships in smaller companies?

• **Tax Squawks**—Two elements in Justice's plan have brought storms of protest. One is the tax aspect—since du Pont shareholders would have to pay income taxes on the distribution of GM shares to them. (Du Pont figures their total tax bill would reach \$778-million.)

Sen. J. Allen Frear, Jr., (D-Del.) has introduced a bill to provide tax relief for shareholders receiving stock under such forced distributions—by eliminating the income tax when the stock is received but making it subject to capital gains tax when sold.

If the bill should pass, it might bring a new twist to the GM-du Pont case, for du Pont is more concerned about tax implications of divestiture than anything else. If these were out of the way, it might be more amenable to Justice's plan, at least in part.

• **Experts' Field Day**—But it's the second controversial element in Justice's plan that brought the professors of finance and the investment bankers flocking into Judge La Buy's courtroom—the question of the impact of divestiture on stock prices of du Pont and GM.

What the experts' field day succeeded in proving was mainly that expertising in the stock market is an inexact science. Judge La Buy steered the proceedings with a gentle, informal hand, allowing all sorts of seemingly irrelevant testimony while poking fun at some of it from time to time.

It was clear from the start what tack each side would take. Justice Dept. attorneys, a young and confident crew, held that the impact of divestiture on stock prices would be slight. They set out to prove that pension funds and other institutions were increasing common stock holdings, that du Pont and GM were among their favorites.

The government got an unexpected

lift from the 2-million-share secondary offering in Ford Motor Co. in March, and made much of the fact that Ford stock rose steadily after the offering.

Defense witnesses said divestiture would mean chaos, partly because the tax angle would bring forced selling by du Pont shareholders, partly because sophisticated investors would shy away from GM with huge amounts of stock "overhanging" the market. They said both stocks would be hard hit.

The defense recalled past big offerings—the 1-million share American Tobacco issue in 1952, 4.3-million of Socony Mobil in 1957, last year's 7.6-million Royal Dutch Petroleum issue.

• **Variety**—The array of experts on both sides was formidable. But even when they were on the same side, the experts found it difficult to agree.

Take the question whether institutional investors can absorb a large amount of high-grade stocks—notably GM and du Pont. Vito Natrella, Securities & Exchange Commission economist, estimated that corporate non-insured pension funds would have \$51-billion assets by 1965, 30% in equities.

Another government witness, Dr. Roger F. Murray, professor of finance at Columbia University's Graduate

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School of Business, thought these estimates too conservative. He agreed with Paul Howell, consulting economist and also a government witness, that a tidy share of pension fund money would go into GM. But Sumner Emerson of Morgan Stanley & Co., for the defense, noted that insurance companies and investment companies had reduced their GM holdings in recent years.

• **Wide Divergence**—But these differences were minor compared to the wide disagreement on the main question: What would happen to du Pont and GM stock under the government plan?

For the government, consulting economist Howell thought the market could absorb 20-million GM shares over 10 years without substantial effect on market prices. Dr. Irwin Friend, professor of economics and finance at the University of Pennsylvania, went along on that. He pointed out that the number of GM shares involved would be something less than 8% of GM's outstanding common. In the past, he said, an average 10% increase in supply of a stock has brought a downward pressure of some 5% on the price.

Alfred C. Boni, president of Boni, Watkins, Jason & Co., New York economic and management consultants, also saw no dire consequences. Testifying for the government, he said corporate and institutional holders of du Pont stock would have a less serious tax problem than individual holders, with less pressure to sell GM shares received in a distribution.

Hugh Cox, a du Pont attorney, got Boni to concede that there might be a drop of a point or two in price—even a bit more if economic conditions turned sour. In a bad market, Boni agreed, the drop might come to 5%—but this would be only short-term.

• **Contrary View**—Other witnesses, testifying for the companies, thought Boni wide of the mark. Morgan Stanley's Emerson was emphatic. "The impacts that would follow the plan are entirely unprecedented in the financial history of this country," he said. "They certainly would be most drastic."

If the government plan is adopted, said Emerson, GM would sell at 20% to 25% below what it would otherwise, du Pont at least 25% below. He cited three reasons for the adverse effect on GM:

• Each annual offering of 2-million shares would be bigger than most secondary offerings on record.

• They would compete in a market already heavy with stock being sold by individuals for tax reasons (a minimum of 1.25-million shares, Emerson estimated; others figured it higher).

• The repeated offerings would be a huge "overhang" on the market.

What if all or part of the GM stock



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were paid out to stockholders in lieu of dividends, Emerson was asked. That would be even worse, he replied, because there would be forced selling of stock dividends by shareholders seeking cash for living expenses.

(Du Pont's treasurer, R. Russell Pippin, noted that under this proposal du Pont would eventually accumulate more than \$2-billion in cash. He found the prospect of investing this in securities uninviting. "We bought some securities one time," he commented, "and here we are.")

• **Corroboration**—Other defense witnesses supported Emerson, though their figures varied. Thomas H. Beacom, vice-president in charge of First National Bank of Chicago's trust business, put the likely drop in GM's price at a minimum of 15%.

Dr. Neil H. Jacoby, dean of UCLA's Graduate School of Business Administration, saw du Pont shares depressed by at least 10%, maybe as much as 20% over the 10-year period, partly because of the loss of earning power resulting from the divestiture.

Beacom's testimony carried the discussion into the somewhat esoteric realm of "cross-elasticity" of demand among various types of securities. "If you drop the price of a stock enough," he said, "you will get such a demand as you did not dream would exist."

Paul Owens, a Justice Dept. attorney, tried this theory of cross-elasticity on another du Pont witness, Pres. J. Victor Herd of the American Fore Loyalty group of insurance companies. But the witness balked on the subject, though Owens tried to explain it by simple analogy that higher butter prices mean more oleo sales.

• **Market Man**—Winthrop C. Lenz, vice-president of Merrill Lynch, Pierce, Fenner & Smith, took some potshots at the government plan on the basis of his long market experience. He thought the plan would depress GM common by 20% to 30%, du Pont by 25% to 30%. Lenz said Merrill Lynch would advise its customers to sell GM stock unless they were prepared to wait out a long period of low prices.

Lenz also made an estimate of what would happen if the Frear bill was passed, and there was a tax-free distribution of 43-million GM shares, followed by a 10-year sale of the remaining 20-million. Even that, he thought, would send GM prices down 10% to 20%.

Government attorneys kept sniping at what they called "horseback opinions," and succeeded in throwing some doubt on the actual amount of impact divestiture would have on the stock prices. Lenz, trying to explain why his conclusions differed at times from Emerson's, said: "You can't measure it with a T-square." **END**





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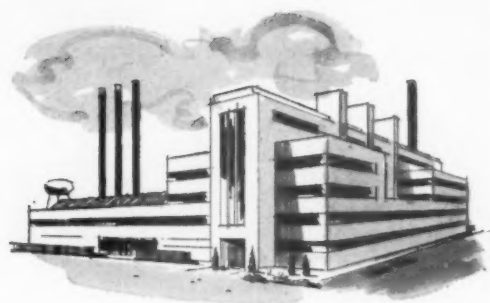
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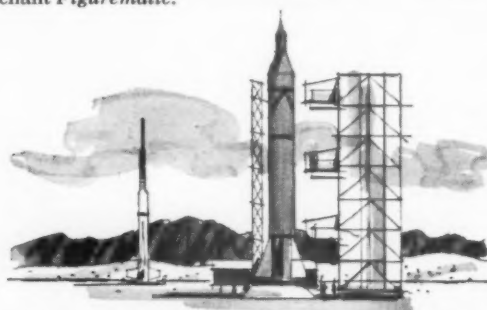
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# PERSONAL BUSINESS

BUSINESS WEEK

MAY 2, 1959



There's an acute shortage of competent domestic help today, despite an estimated 2-million houseworkers in the U.S. And seeking out satisfactory help is getting to be a tough and sometimes vexing job.

If you are looking for a good servant, keep these points in mind:

- Today, servants are specialists. So don't be shocked to discover that the all-round domestic who will tackle everything from cleaning to cooking is a near-vanished breed.

- "Importing" a domestic from the South—a growing practice—may backfire, unless you're lucky.

- Importing domestics from abroad—another highly publicized approach—is a more practical idea, but this, too, has some serious drawbacks.

The job of finding competent help is most difficult where there's just one servant in the home. Your servant replacement problem should be somewhat easier if you maintain a staff of two or more "specialists."

This assumes, of course, you're willing to hire specialists and pay competitive wages. Currently, New York-area live-in domestics command these salaries, if experienced: cook-houseworker (hardest to find)—\$50 to \$65 a week; general maid, no cooking \$40 to \$50; cook—\$200 to \$300 a month; butler—\$200 to \$300 a month; nursemaid—\$50 to \$65 a week; chauffeur—\$75 to \$85 a week; cook-gardner (couple)—\$450 to \$550 a month.

Generally, you can figure that the New York rates for experienced help are 20% to 30% higher than those in most other Eastern, Midwestern, and Western cities. Beginners with very little experience, but with good personal references, start for 25% to 30% less than full rate.

Importing help from the South is something to undertake only with the greatest caution. Often what happens is this: A Northern employment agency will recruit women in small Southern towns, advance them bus fare to a Northern city, place them as general domestics, then take the transportation cost plus at least one week's pay (\$25 to \$35) from the first few months' wages.

Some agencies—and many disillusioned employers—complain that these workers are (1) apt to be entirely untrained, (2) seldom screened properly (if at all) in their home towns, and (3) often totally ignorant of city standards in terms of social habits and conduct. The result in many cases: dissatisfaction and early termination of employment.

One suggestion is to have a friend or a reputable agency in the South screen applicants before they leave their home towns.

A more workable approach—though no easy solution—is to import help from abroad. Here your best bet is to contact one of the few agencies that specialize in bringing foreign domestics into the U.S., such as Domestic Service, Inc., 140 East 59th St., New York. The agency will handle all the details, but note these points:

- Immigration quotas, as a practical matter, limit you pretty much to domestics from Britain, Ireland, and Germany. Also, there's a waiting-time for visas, running from three to 18 months.

- Before the domestic can enter this country, you must file an affidavit of support with the U.S. Immigration Service. You never see the individuals before they approach your doorstep expecting to start to work.

- Domestics coming from Europe these days are frequently young and inexperienced—not the "traditional" type.

# PERSONAL BUSINESS (Continued)

BUSINESS WEEK

MAY 2, 1959

• A foreign domestic usually will start for around \$150 a month, plus room and board. But you'll pay the full rate in about a year—or start looking for a new employee. The fact is, after all your bother, the average foreign domestic is apt to resign and seek greener economic pastures after the first year is up.

If you're interested in domestics from abroad, but want to avoid the red tape that "importing" involves, you might try a reliable agency that has frequent contact with recent arrivals from overseas. Three good ones are Finnish Agency, 860 Madison Ave.; Park Avenue Agency, 1026 Park Ave.; and Sampson Agency, 25 East 65th St., all of New York.

**How to hold a capable domestic?** If you've had difficulty, you may not be keeping up with some of the "fringe" benefits that the servant of today can find with little searching: (1) an eight-hour day, with one to two-hour afternoon rest periods; (2) a five-day week; (3) a specialized job with no additional duties; (4) early hours at least once a week in addition to regular days off; (5) payment of Social Security tax (your only formal legal obligation in most places) and private health insurance; (6) a two-week vacation with pay—sometimes three weeks.

—●—

As a city or country club member you may want to take a look at how your club's financial experience compares with that of 100 representative clubs surveyed in a review just published by Harris, Kerr, Forster & Co., accountants and consultants in this field.

The study of 50 city clubs and 50 country clubs shows that during the past five years, payroll and related costs in city clubs increased by 25% and other operating expenses by 14%; country clubs recorded five-year increases of 33% in total payroll costs and 25% in other expenses. Revenue and dues advanced 19% in city clubs and 28.5% in country clubs.

From fiscal year 1957 to 1958, a rise of 3.2% in gross revenue and dues in city clubs proved insufficient to offset the increase of 3.7% in operating costs and expenses.

Both income and expenses in country clubs advanced about 5% over 1956-57 levels, leaving a "profit" for the 1957-58 year of 3.2% (a slight increase over the previous year's percentage).

—●—

**New wrinkle:** Diners' Club is offering travel insurance to members and their families (from ages 18 to 70) that provides accident coverage day and night, at home and abroad. Full benefits are paid for accidents within 50 miles of the insured person's home and double benefits beyond that radius. Cost example: \$1 a month for \$6,000 coverage; medical coverage up to \$500 costs an extra 50¢—total \$1.50 per month.

—●—

**New currency:** That shiny silver piece you'll be handling the next time you visit France is a five-franc coin, equal to 500 current francs and first of the new "heavy" currency since the 1958 revaluation.

—●—

If you'd like to brush up on the law of averages and other phases of the fascinating world of numbers, there's a new book, *The Gentle Art of Mathematics*, by Don Pedoe (Macmillan, \$3.50).



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## FINANCE

# Two-Way

A handsome four-color brochure describes the 25-story office building of glass and blue porcelain enamel at 111 Pine St., on the fringe of San Francisco's financial community. From its exquisitely appointed lobby of marble and woven metal to the breathtaking marine view from the upper floors, it is by all accepted standards an address of distinction.

But there are two things you ought to know about this paragon of contemporary architecture. One is that it still exists only on paper. The other is that it's the dream not of a starry-eyed real estate promoter, but of a modest-sized construction firm that typifies a new breed.

Haas & Haynie Corp. is not one of the giants of the construction industry, although its annual volume of around \$20-million ranks it among the leading builders in San Francisco. About half this volume is the fruit of competitive bidding against other contractors. Another quarter is by negotiated lump-sum contract. The rest is made up of buildings erected by Haas & Haynie for its own account and then leased to others. It's this part of the business that stamps the breed.

• **Investor Type**—Edward T. Haas and Robert M. Haynie are examples of a new class of investor in real estate. Both have been knee-deep in real estate for years, yet they have only recently started to take an equity interest in the properties they build.

The same sudden move into equity investment has occurred with a number of construction men, brokers, and dealers in a handful of cities around the country. A boomlet in real estate—particularly big parcels in downtown areas and resort property—has lured these men into the investment field.

Similarly, a youthful band of lawyers and accountants—who know a good deal more about the tax implications of real estate than old-timers do—has cropped up to form investment syndicates. In such cities as Cleveland and Philadelphia, these syndicates have rocked even some of the more glamorous names in real estate back on their heels with their fast and profitable deals. And they are wooing new investors to their projects all the time.

### I. How They Operate

Haas and Haynie themselves are landlords to General Motors Corp. in eight warehouse and training center buildings from coast to coast. They receive monthly rental checks, under long-term

# Profit in Build-Lease Deals

● San Francisco builder earns a margin in putting up a commercial or industrial building, then makes money renting it for period of greater fast write-off advantage.

● Such deals can be swung at little risk when investment is widely spread, and the capital gains are attractive when the property is sold.

● But it takes a sharp knowledge of building, tax laws, and money market. And even the smart operators can get burned once in a while.

leases, from such blue-chip tenants as General Electric Co. and Pacific Telephone & Telegraph Co. Over the past few years, the buildings they've erected for lease to others have added a little over \$15-million to their volume and given them an equity they estimate at "several" million dollars.

Suppose a company needs a new branch office building. Haas & Haynie buys the site the customer chooses, erects a building to the customer's specifications, and gives a 10-year lease with two five-year renewal options. As a builder, Haas & Haynie has an advantage in the bidding—it doesn't have to hire anyone to draw plans and estimate costs.

There are also advantages for the customer. He conserves his capital resources, may charge off the rental as business expense, and has no long-term liability on the books that would dilute his borrowing power.

Haas & Haynie earns a profit on the construction. By its knowledge of the money market, it's able to place the mortgage with an institutional investor. And it screens the build-leaseback tenants carefully enough to make it no problem to find private investors willing to buy as much as 75% of the proprietary interest. The Internal Revenue code since 1954 has given the original owner of new construction the privilege of accelerated amortization by either sum-of-the-digits or the double declining balance method. This acceleration of depreciation permits speedier pay-down of the mortgage.

• **Element of Risk**—There's no lure of a fast buck in such deals. The two partners are taking the risk that real property values will decline. If their judgment is right and values improve, they'll have two options after the greatest tax advantage of rapid depreciation is exhausted, which they figure takes six or seven years:

- They can hold the property as a long-term investment. For estate-building purposes, this option has attractions.

- They can sell at a capital gain. This choice has the advantage of freeing their capital for additional construction work.

In making the choice, they'll be influenced by a policy decision not to become real estate traders. Their free-wheeling has hit enough bumps to convince them that construction is their forte.

- **Industrial Development**—The build-leaseback device is one of several that Haas & Haynie has employed to get the additional financial leverage that even the best-run construction business, subject to normal income tax, doesn't afford. Industrial real estate development is another. From one such development the company emerged in possession of the \$500,000 downtown real estate parcel on which it intends to build 111 Pine St.

Right now, 111 Pine St. is paying its way as a parking lot. A few months ago, it came within an ace of materializing as a full-blown construction project. Since they're not speculative builders, the partners insisted on lining up tenants before they got started. Just as insistent was the institutional investor who would provide the required \$5-million of financing. The backer wanted to see 40% of the space committed. Haas & Haynie missed the target, but it did get tenants for 10 floors, enough to warrant another try.

- **Convenient to Airport**—At the invitation of a Los Angeles developer, Haas & Haynie bought a 50% interest in a \$1-million industrial parcel of 200 acres on San Francisco Bay adjoining the International Airport, in turn finding investors for half their interest.

Development of the property is under way, and the first 15-acre block

of the improved land was sold for \$500,000. The joint venturers expect to sell several million dollars of improvement bonds on the other acreage. They calculate that they can improve and sell about two-thirds of the tract by 1961, and that this will return their investment. They'll then have 65 or 70 acres of improved land worth upwards of \$2.5-million.

Haas & Haynie will own one-fourth of that land and build leasebacks on it. In addition, as one of the development owners, the company will have the advantage of dealing with the people who buy the rest of the property. If the estimating department is on its toes, this could result in some handsome construction contracts.

## II. Opportunity Knocks

It was said of Florenz Ziegfeld that he was gifted with X-ray vision. An impersonal but exacting clinician, he never eyed a pretty girl without making a spot assessment of her anatomical endowments as grist for his flesh mill. In the same manner, Ed Haas and Bob Haynie can't look at a piece of vacant ground without visualizing the steel and concrete that would convert it into a building contract. It was this impatience with unimproved land that got them into the hotel business in Honolulu a few months ago.

- **Business at Waikiki**—Haynie was scouting prospects of a housing development in the Hawaiian capital when he encountered a fellow San Franciscan, William M. Roth, on Waikiki Beach. Roth is financial vice-president of Matson Navigation Co. and member of a family that owns a substantial part of it.

Matson's four plush Honolulu hotels were in the news. Conrad Hilton had offered to buy them. Matson was willing to sell—at the right price—and the rumors of a partial liquidation had more than doubled the market value of the stock.

Hilton, however, didn't want included in the package the 10 acres of undeveloped land that went with the hotels, some of it attractive beach frontage.

Solely out of curiosity, Haynie accepted Roth's offer of a conducted tour of the properties. He found the Royal Hawaiian and its companion hotels of academic interest. On the unimproved land, however, he could see apartment hotels and commercial buildings assuming shape.

- **Swinging Hotel Deal**—Although Hay-





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nie recognized that the Matson holdings were, financially and occupationally, out of the Haas & Haynie ballpark, he was intrigued by the land. Roth agreed to listen to a proposition, and when Haynie was able to demonstrate that he meant business, Matson gave him access to records that would enable him to frame a bona fide offer.

One of the important tools in the kit of an operation in this field is an intimate knowledge of the investment capital market. Haas and his partner are always in touch with institutional investors. They know when one insurance company is loaned up on industrial properties in the Southwest, when another is shopping for commercial buildings in Oregon. They make it a point to know when a pension fund is on the lookout for industrial mortgages. And the partners have a small circle of private investors who are usually ready to take a piece of the proprietary risk.

To set the stage for a deal with Matson, Haynie needed a hotel operator—a big one. Armed with appraisals and with tentative financial commitments, he approached Sheraton Corp. of America, ultimately brought Sheraton and Matson principals together.

When the smoke cleared, a new subsidiary—Sheraton Hawaii Corp.—owned four Matson hotels and adjacent acreage. The announced price was \$18-million. Sheraton arranged the financing and wound up with 90% of Sheraton Hawaii.

For what Haas describes as a "modest investment," Haas & Haynie became a partner of the big hotel chain, owning 10% of Sheraton Hawaii and a voice on the board. Of more immediate importance, Haas & Haynie obtained a commitment from Sheraton Hawaii to handle a development and construction program on the unimproved acreage that should range between \$5-million and \$10-million over the next five years.

### III. Making a Start

As Haas & Haynie views it, there are three requisites to the kind of free-wheeling operation they conduct. In order of importance, they are:

- A highly competent professional engineering organization.
- Intimate knowledge of the tax laws.
- Intimate knowledge of the money markets.

Edward Haas, 51, is an engineer. His father, member of a pioneer California family, established a construction business in San Francisco in 1898, and Ed is carrying on the tradition.

• **Compatible Talents**—Robert Haynie, 43, is a lawyer. A native of New Orleans, he flew Navy transport planes out of San Francisco during the war, thus





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became acquainted with the Golden Gate city and its postwar opportunities. He met Haas while employed by a rival contractor as a business developer. In chasing the same construction jobs, they discovered a mutual interest in generating their own opportunities instead of waiting for bid invitations to sail over the transom. They got together in 1952.

The partners agree that the company's professional skill is the fulcrum on which the whole operation rides. Slipshod estimating, faulty supervision, careless execution of contracts could doom the enterprise. In consequence, Haas spends more time tramping around building sites than at his desk. He leaves most of the blue-sky stuff to Haynie.

• **Repeat Business**—Haas notes with some pride that the company does a fair amount of repeat business. On the strength of several million dollars' worth of paper mill construction for Crown Zellerbach Corp. at Antioch, Calif., Haas & Haynie was invited to bid for—and won—the \$10-million general contract for Crown's new San Francisco office building and the \$3.5-million general contract for a new paper mill in St. Francisville, La., both now nearing completion.

Pacific Telephone was a Haas client when Haas was a time clerk for his father, and still comes back for more. General Electric, Sylvania, and American Borax liked the first buildings Haas & Haynie built for them well enough to enter repeat orders.

• **Once Burned**—The potential rewards in generating business by building for your own account can be highly seductive. Besides increasing your leverage, these projects help to smooth out the sometimes turbulent curve of the construction business. Of course, the rewards don't always materialize. Haas & Haynie hit one notable clinker.

A few years ago they won a contract with the city to build a parking garage under a downtown park in San Francisco. It was one of those long-term lease deals with ownership vested in a nonprofit corporation until the debt was retired, with the city after that.

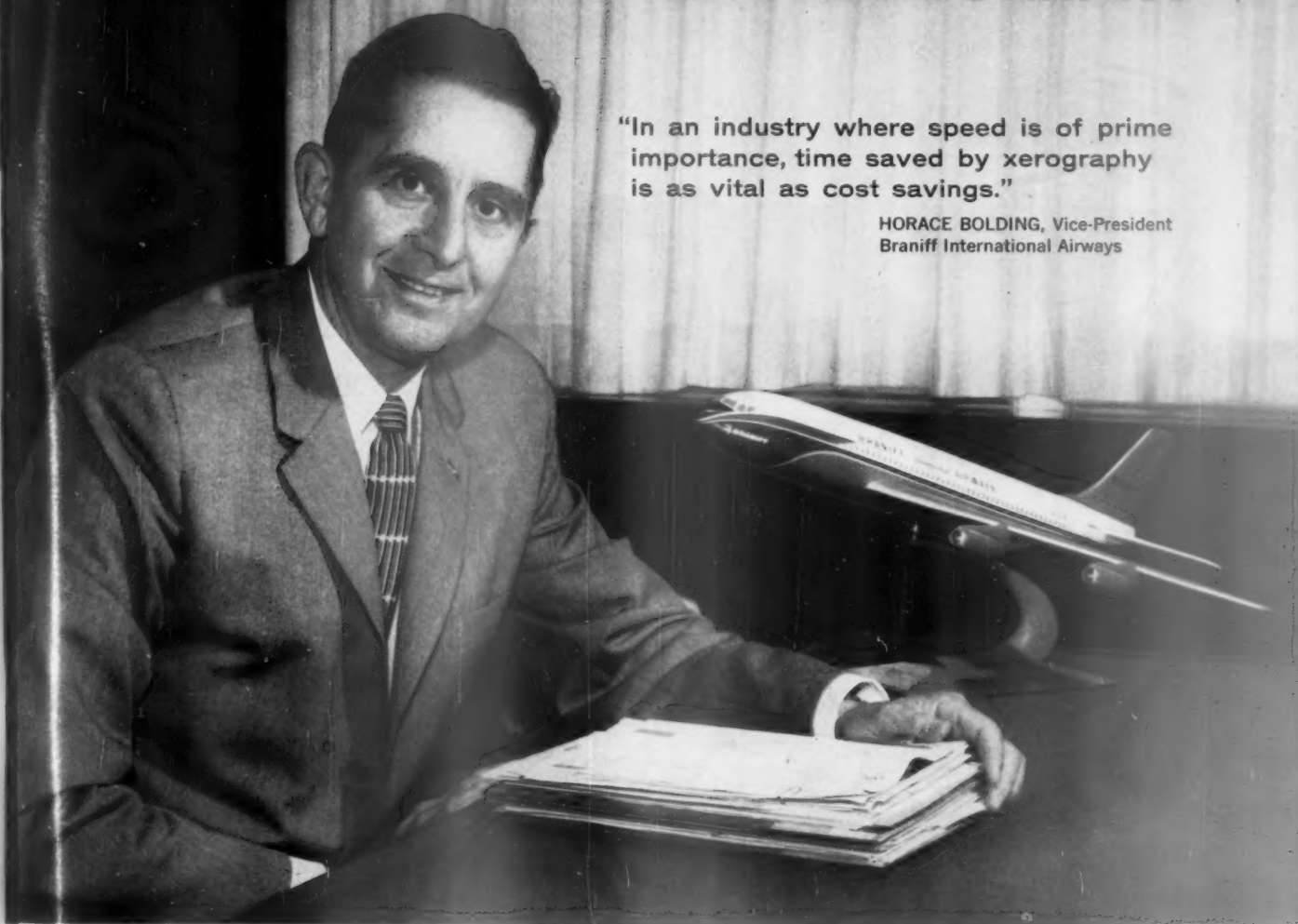
The St. Mary's Square Garage was phenomenally successful, and the contractors berated themselves for lacking the vision to retain the lease. They were determined not to make the same mistake again. A short time later the same kind of project presented itself in Reno, Nev. This time they participated in the financing and retained operating rights. The traffic, however, failed to materialize, and Haas & Haynie is taking a shellacking.

Once burned, Haas & Haynie will leave the operating of future projects to others. The partners will stick to the things they do best. **END**

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## NEW PRODUCTS

### Dry Photocopier

New machine developed by Haloid for the Air Force extends xerography process to continuous-tone prints.

A new machine developed by Haloid Xerox, Inc., Rochester, N. Y., that uses a dry photocopying process to make continuous-tone prints may bring about a radical change in the printing of photographs. Until now, the process, known as xerography, generally has been restricted to reproductions of documents and line drawings. The new Haloid machine can produce prints at a rate of 22 sec. for the first one and 2½ sec. for succeeding pictures. The machine operates in daylight and uses no chemicals or sensitized paper, though the paper is plastic-coated.

A prototype of the machine, developed for the U.S. Air Force, was demonstrated for the first time in Washington this week. Designed for use with conventional aerial negative or positive films, the machine exposes, prints, and finishes pictures from a 500-ft. roll of film up to 9 in. wide at the rate of 20 ft. per minute. The pictures have a resolution of 750 lines per inch.

• **How It Works**—The process works this way: A drum coated with a thin layer of light-sensitive selenium is given a positive electric charge. The film roll is fed into moving contact with the rotating drum and exposed by a slit of light at the line of contact. Drum areas shaded by dark areas of the film retain their electric charge, while portions covered by light areas of the film lose their charge.

Then a fine black powder, also electrically charged, is sprayed on the drum. It is attracted to the uncharged areas of the drum and repelled from the charged areas, making the latent image visible. This powder image is transferred to plastic-coated white paper that is charged electrically to attract the powder from the drum; the powder is bonded tightly to the paper by a brief heat that softens the plastic, making the image permanent.

The process is similar to the making of line copies by xerography, but refinements were necessary to achieve continuous-tone prints. The photosensitive coating and the powder dispersion, for instance, had to be refined to eliminate uneven tones and corona effect.

• **Commercial Possibilities**—The prints made on the Air Force machine have a sepia tone, but Haloid expects to be able to achieve the standard shades of black by the time commercial models



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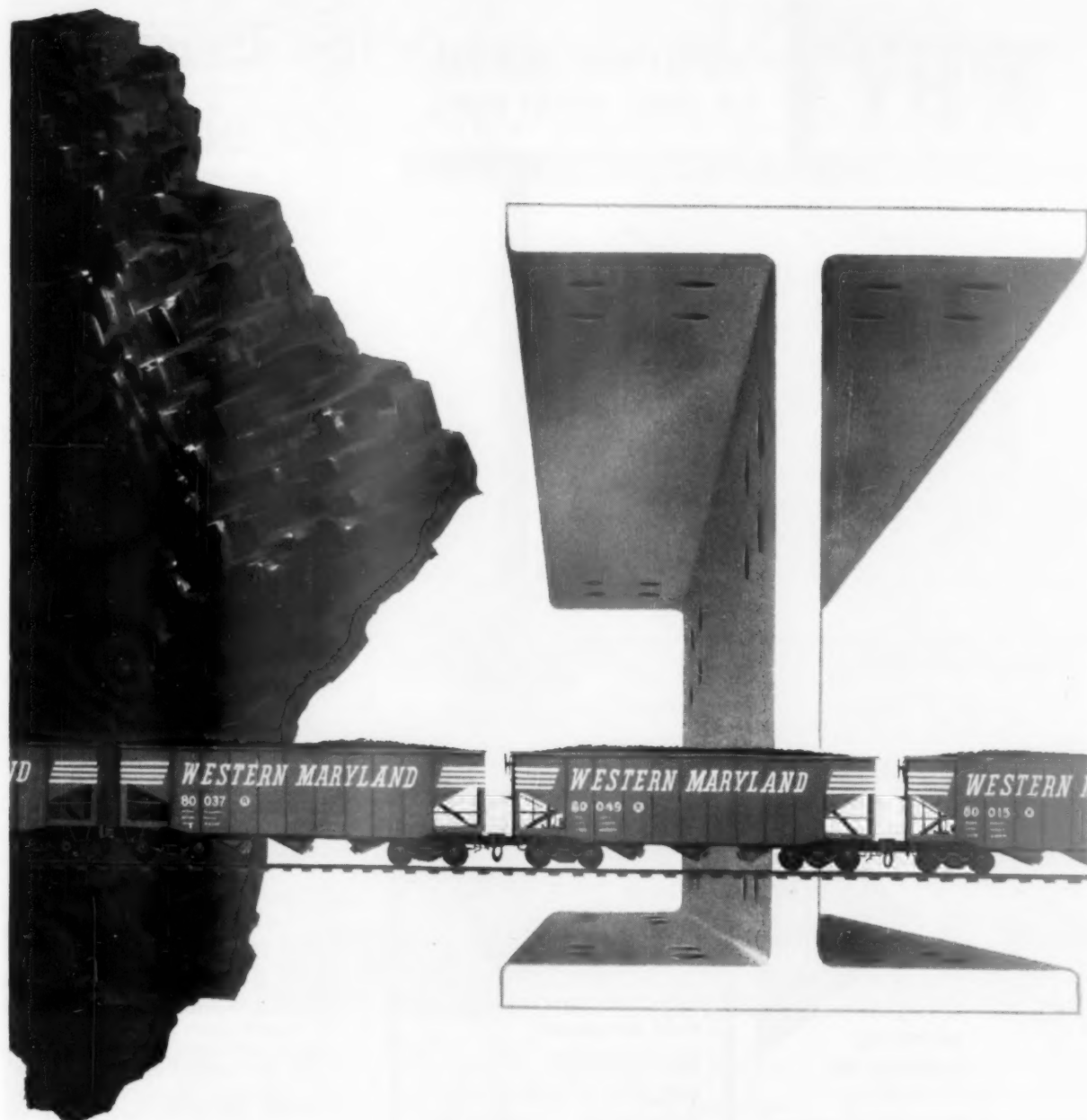
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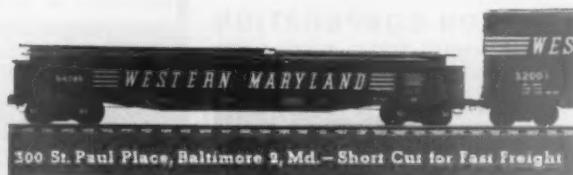
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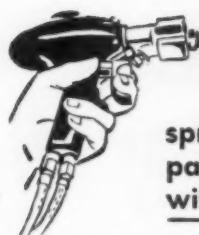
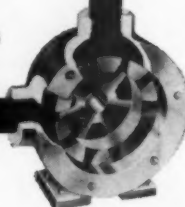
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are ready. This is still several years away. Haloid officials are modest about commercial implications, but the machine is likely to be valuable in industrial photography. High-speed, large-volume photo finishing could improve quality control, for instance. Some observers feel xerographic printing will challenge commercial photo finishing, too.

Haloid estimates that the machine will sell for about \$200,000 when it becomes commercially available.



## New Fluorescent Bulb Uses Ordinary Socket

These new fluorescent lights developed by Westinghouse Electric Corp. can be screwed into an ordinary light socket, just like an incandescent bulb. This should make them popular with householders who have shied from fluorescents because of the bulky fixtures hitherto necessary. Designers should like the bulbs, too, because of the added freedom they will give in designing decorative lighting.

One of the complications in the standard fluorescent fixture is the need to include a space-consuming current limiting device, known as a ballast. In the new fluorescents, Westinghouse engineers have added an incandescent filament—of the type used in ordinary bulbs—to do the same job.

Though the new lights will not be quite so efficient as a true fluorescent, Westinghouse claims they will outdo the incandescent. Their biggest drawback: a price considerably higher than that for ordinary fluorescents. Because of this, Westinghouse is delaying production of the lamps until it completes a market survey. **END**

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# In Management

• • •

## Royal Dutch/Shell Group Wants to Absorb Canadian Eagle Oil, Which Markets Abroad

The Royal Dutch/Shell group has made a surprise offer for Canadian Eagle Oil Co., Ltd., which markets in the British Isles and Latin America, and in which the group already owns a 21% interest. Caneagle holders will get two shares of Royal Dutch Petroleum Co. and three of "Shell" Transport & Trading Co. for each 12 of Caneagle. If stockholders approve the plan, the Royal Dutch and Shell stock will be turned over to the company for all assets, Caneagle will then distribute them to holders and dissolve itself.

Caneagle—which does no business in Canada—has long been closely affiliated with Shell. The companies jointly own companies in Britain, Eire, and South America; Shell refines much of the crude oil from Caneagle wells in Venezuela and Colombia and distributes Caneagle products in Britain. Canadian Eagle has a 20% stake in Shell-Mex and P.B., Ltd. (in which the Royal Dutch/Shell group owns 38%), and Caneagle's chairman, Sir George Legh-Jones, is a managing director of Shell. Outsiders see the absorption as a sensible move. For example, the group could use Caneagle's large fleet of tankers that currently are chartered out at low rates.

• • •

## Stockholders Provide Sales Leads

Silvray Lighting, Inc., has tapped a new source of sales leads—its stockholders.

With the February dividend check, James M. Gilbert, president of Silvray (a New Jersey outfit that silvers light bulbs for the major manufacturers and makes lighting fixtures), suggested that "our 2,000-odd stockholders represent an army of distribution 'missionaries.'" He enclosed a one-page mimeographed questionnaire, asking for personal data about the stockholders and for sales leads and contacts in their home towns.

Better than 500 stockholders—most of them owning 100 or fewer shares of the \$5 stock—mailed back questionnaires; 137 of them said they would be in a position to recommend use of Silvray products to school boards or other potential buyers. Some stockholders polled local stores, reported back reasons why silvered bulbs weren't handled. Silvray field salesmen are busy following up the leads, have already sold one store relighting job from a stockholder contact.

• • •

## CPAs Set Up New Program to Erase Gray Areas in Accounting Practices

The American Institute of Certified Public Accountants is opening a drive to wipe out the gray areas in accounting practices.

A new Research Div. will study areas where there are "alternative but equally acceptable accounting principles or procedures" and publish exploratory monographs. A new Accounting Principles Board then will issue "statements of generally accepted accounting principles," which will serve as nationwide standards, strictly defining the situations in which each alternative should be used. These statements will replace bulletins now issued by the Institute's Committee on Accounting Procedures (BW—Apr. 5 '58, p79).

One example of a gray area to be studied: inventory valuation (for instance, when is it appropriate to use the last-in-first-out method?).

The AICPA also is moving to stiffen professional requirements. A report adopted by the Institute's governing council at its semiannual meeting last week calls for states to enact uniform CPA requirements. These would include a college degree, postgraduate study, and at least one year's work experience. Although only four states (Connecticut, Florida, New Jersey, and New York) now require CPA candidates to hold college degrees, only 8% of the successful candidates in recent years have not been college graduates.

• • •

## Management Briefs

After more than a year of squabbles, Glen Alden Corp. and List Industries Corp., which had owned some 40% of Glen Alden, have merged. The marriage was first proposed in March of last year but was dropped because of stockholder court action (BW—Jul. 12 '58, p74). Last week the merger finally went through although some Glen Alden holders announced they would ask for cash instead of shares in the merged corporation.

... Another corporate merger that has traveled a bumpy road (BW—Jul. 26 '58, p38) has had its way smoothed. The Interstate Commerce Commission has O.K.'d plans of Pittston Co. to take control of Brink's, Inc., overriding objections of the Justice Dept. for the second time, and the plan should now go through.

Two large companies upgraded the titles of their top executives last week. Frank Pace, Jr., was elected board chairman of General Dynamics Corp. and was succeeded as president by Earl D. Johnson, formerly executive vice-president. Pace remains chief executive officer. At Montgomery Ward & Co., executive vice-president Paul M. Hammaker was advanced to president. John A. Barr, who has been both president and board chairman, continues as chairman and chief executive.

... At the same time Montgomery Ward announced a five-year, \$500-million expansion program. The money will be spent to open and stock new stores and distribution centers and to finance increased volume of charge accounts. By the end of this year, Barr said at the annual meeting, all of the company's excess cash will be out of low-earning securities and at work in higher-earning merchandising assets. Ward's use of cash was the issue raised by Louis R. Wolfson in his attempt to gain control five years ago.



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# Inflation and the Dilemma of Democracy

In the first four months of 1959, the ordinary U. S. citizen has been receiving a bewildering amount of unsolicited instruction on the subject of inflation. In spite of the fact that the cost of living index has scarcely moved in the past year (BW—Apr. 25 '59, p57), the tide of contradictory explanation and admonition has kept rising. By this point, anyone who is not thoroughly confused simply has not been reading the newspapers.

Much of this talk—including some from officials who should know better—is only a restatement of the ancient and oversimplified proposition that inflation consists of too much money chasing too few goods. Some of it is outright scare stuff, the general purpose of which is "to wake the people up," though what the people are supposed to do upon rousing, besides brushing their teeth, is never quite clear. Some is only a thinly disguised effort to grind a private ax on the stone of a public issue.

But at least part of the current discussion of inflation represents a genuine effort to find a new and more satisfactory explanation of the economic forces at work in the U. S. today.

Last week, for instance, Raymond J. Saulnier, chairman of the Council of Economic Advisers, told Sen. Estes Kefauver's antitrust subcommittee that "there is no single cause" of inflation. "Sometimes," Saulnier said, "prices rise because of the pull of demand; and sometimes because of the push from costs. In my judgment, the latter was a major factor in 1956-58, primarily because of a tendency for increases in money wages during that period to outstrip improvements in productivity."

On the same day, Woodlief Thomas, chief economist of the Federal Reserve Board, made a speech declaring that "the strongest force for rising prices continues to be increased labor costs resulting from the pressures of powerful labor organizations for higher wages and fringe benefits."

Both these statements suggest that an important shift in official thinking is under way.

## New Thinking

In its early years, the Eisenhower Administration worked on a fairly simple theory of inflation. It assumed that the root cause was too much money and that the infallible cure was credit restraint.

The events of the past six years suggest that the problem isn't as easy as all that. Prices went up in 1957 and 1958 in spite of one of the toughest monetary policies the country has ever seen. And right or wrong, the Administration's economists fear that they will start going up again soon.

On the record, monetary policy emerges once more as a disappointment. There are times when credit restraint is perfectly justified. (And the present period when the U. S. is suffering a steady

drain on its gold stocks seems to be one of those times.) But as the final answer to the inflation problem, monetary measures just don't do the job.

This is why at least some of the Administration's economic strategists have begun swinging toward a more complex theory of inflation. By admitting the weakness of the old mechanistic explanation and looking at the cost side of the market, they hope to get a better description of what really happens.

All this is good. But if the push of wages and profits on costs really is the main cause of inflation, then the role that the government should play in checking that push is by no means clear.

What we face is one of the great dilemmas of a democracy—the conflict between legitimate public interests and equally legitimate private interests. In a system that respects individual freedoms, can the public interest be made to prevail without sacrificing some very fundamental values?

Certainly, we can quite properly ask both the big unions and the big corporations to remember that the country as a whole has a stake in their negotiations. But it is demanding a superhuman altruism to expect them to put the interests of the consumer ahead of what they regard as their own welfare.

On the other hand, if the government intervenes in the bargaining, how far should it go, and how is it to determine which side should yield?

Many answers to this problem have been suggested. None of them promise to resolve the dilemma. Labor leaders suggest that employers be forced to absorb the full cost of any wage increases. Many employers think that the answer is to abridge union power. Sen. Kefauver would try to apply the leverage of public opinion to both parties by requiring advance notice of price increases.

If none of these seem to be satisfactory answers, that does not mean that the problem is insoluble. We still need to know a great deal more about the processes of economic growth and the mechanisms that increase productivity. We need to know more about the structure of various markets and the methods of setting prices. And we need to know just how real the threat of future inflation is.

There have been any number of studies and investigations of inflation in recent years. But all of them have traveled the same well-worn rut, and so none has produced any fresh thinking. There are three official or semi-official investigations under way right now. If any one of them could really start from scratch, if it could get rid of the excess baggage of old ideas and the shopworn talk about "fiat money," if it could forget the false parallel with Germany of the 1920s and France at the time of the assignats—that study might start us on the way toward the understanding we must have if we are to work out a real solution of our dilemma.

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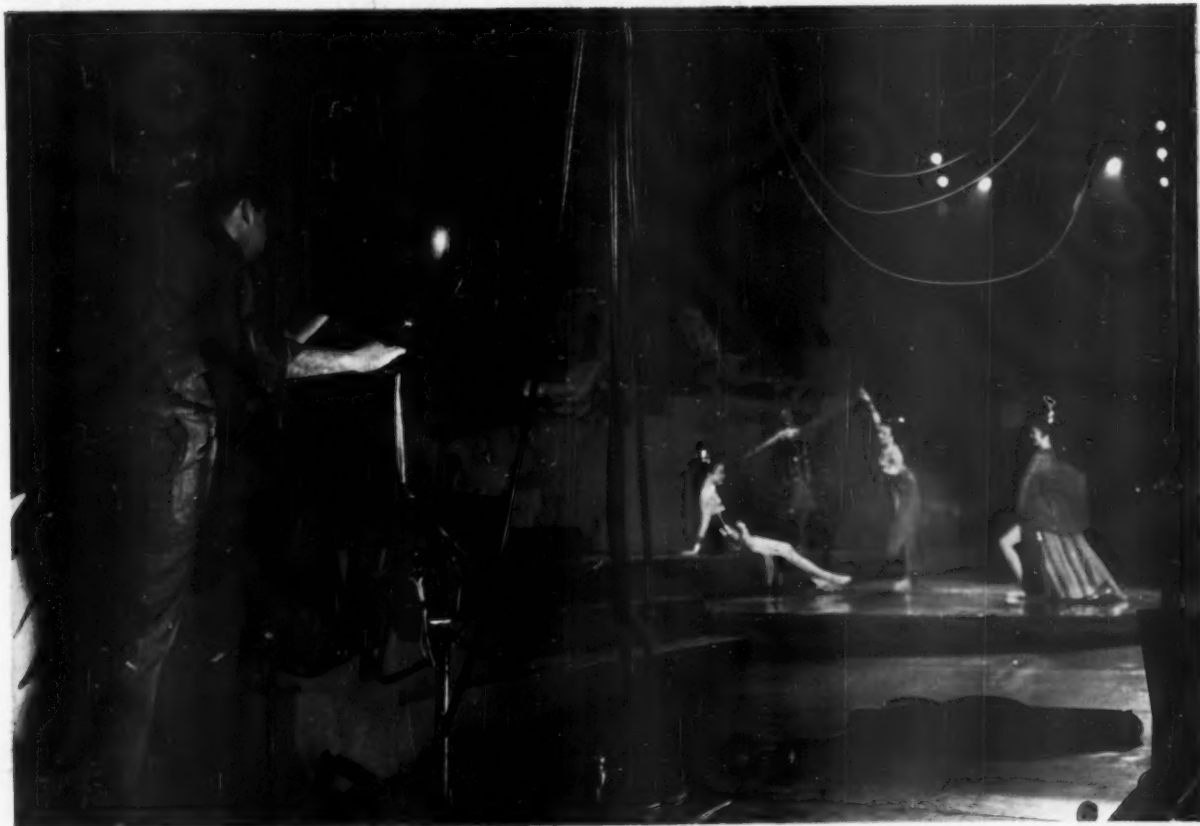
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